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*Chernishev on Caspian Demarcation, Transcaucasus

954K0597A Yerevan AZG in Armenian 29 Apr 95 pp 1, 5

[Interview with Albert Chernishev, deputy foreign minister of the Russian Federation, by AZG correspondent Lusik Ghukasyan in Moscow; date not specified]

[FBIS Translated Text] *According to a report by the IRNA [Islamic Republic News Agency], these days representatives of the five states bordering the Caspian Sea—Russia, Iran, Kazakhstan, Turkmenistan and Azerbaijan—are discussing issues related to the protection of the environment and the utilization of the Caspian resources. It is no coincidence that we gave priority to those issues in our conversation with Albert Chernishev, deputy foreign minister of the Russian Federation. Having dealt with the nations of the Caucasus and Central Asia, Chernishev is obviously very knowledgeable about the status of the Caspian Sea as well as issues related to the extraction and utilization of its resources. A folder marked "Caspian Sea" sat at a most conspicuous corner of the deputy minister's desk together with folders marked "Tajikistan" and others. Our conversation took place on a Saturday in Mr Chernishev's office which is located on the seventh floor of the tall Foreign Ministry building on Smolenskaya Square. I outlined the framework of the issues I wanted to discuss. Before we started the interview, Mr Chernishev offered coffee or tea so that "it would not be so boring to talk about such boring topics."*

[Ghukasyan] Mr Chernishev, recently Azeri president Haydar Aliyev and Turkish prime minister Tansu Ciller signed an agreement whereby Turkey was given an additional share in the consortium for the development of Caspian oil. What is your position on that accord?

[Chernishev] Our position is that those who own that oil can extract it, and if they do not have sufficient funds to do it then they can form consortia. Clearly, each of the sides has certain rights which it can exercise on its own or which can be transferred to anyone else. Therefore, in principle, we do not object to the fact that Azerbaijan has transferred 6.25 percent of the consortium [to Turkey], especially since the dominant role in the consortium is played not by Turkish but American, British and French firms. Russia's Lukoil company also has a substantial share: 10 percent. Iran has lost the share given to it by Azerbaijan as a result of Western pressure. However, we are opposed to the contention that the oil will be extracted from Azeri shoals. The truth is that some of these fields are in the deeper portions of the sea and so far from the [Azeri] shore that the Turkmens are saying that it is their territory, not the Azeris'. Therefore, this or that oil bearing zone cannot be declared to be the property of one country or another without a prior agreement. We do not object to the main agreement, but such an agreement cannot say that the fields in question belong to a certain state because that immediately becomes a subject of dispute. We have stated this to the Azeris quite candidly and firmly. It must be noted that during the Soviet period, as in all countries, some resources were taken and utilized but some were reserved for the future. Today because of severe economic conditions, the Caspian states have turned their eyes on this oil and are rushing to exploit it.

[Ghukasyan] In your opinion how should the Caspian Sea be shared? What criteria must be used? Where does the issue of settling the status of the Caspian Sea stand?

[Chernishev] As is known, there is an international law of the sea treaty that defines certain parameters of sea rights. However, there are no standards for sharing the Caspian Sea, because strictly speaking it is a lake. In this matter much depends not on the international community but on how the five states resolve their differences with each other. There are precedents such as Lake Chad, Lake Victoria, the Great Lakes and so forth. In all those cases the states concerned have established special conditions. We have still not reached a mutual understanding with the other states in order to do something about the disputes over the status of the sea. There are big differences [between the sides], with proposals ranging from a simple partition to leaving everything as it is. Our point of departure is that this is common property and that an agreement is necessary on the joint utilization of these resources so that everyone can benefit. On this point, Iran stands close to our position for the moment. Turkmenistan and Kazakhstan prefer centralization [as published], while Azerbaijan clearly favors partition and taking possession of a portion of the sea. At present the status of the sea is defined by two treaties signed between the Soviet Union and Iran, in 1921 and 1940. It is understandable that a new status is needed now, but as long as a new status does not exist and we have not reached a new accord, the provisions of the old agreement, though imperfect, cannot be disregarded.

[Ghukasyan] In a recent speech you said that if developments on the issue of Caspian oil take a course that is objectionable to Russia, then Russia would be prepared to use all means of pressure at its disposal. What are those means?

[Chernishev] Obviously when a country defends its interests it tries to show what it has. No, this is not a threat. When they tread upon our interests we must defend ourselves. However, we must also understand the interests of others. If some parties do not understand our interests or how they are linked to other interests, we can find various means of applying political and economic pressure. For example, how can anyone sail out of the Caspian Sea? One can reach the Black Sea through the Volga River or the Volga-Don canal. We are not saying that we will begin to apply pressure immediately. But if you behave that way and do not take into account our interests or welfare, we will think about how we will behave toward you. We are prepared to take into account your interests and welfare, but let us come to an agreement on that. We must think about how everyone can benefit and profit without sacrificing our own interests. Then we can open the gates to the foreigners—the Americans or the British.

[Ghukasyan] Does Russia have a blueprint for its interests in the Transcaucasus, or is that in its formative stages?

[Chernishev] When reference is made to a blueprint or a formulated set of interests one should not interpret that as a document that was put together, say, in 1991, and that we act in accordance with that document. As a professional I know that a blueprint may be good for today but not a few days later. Regarding the Caucasus, our interest is the following: We must work on the security of the region jointly. The issue is not so much our military bases as the need for these countries to feel secure from a standpoint of their defense. Given that those countries have inadequate armed forces—that is, for example they may have many soldiers but no air defenses, and that is no security [sentence as published]. All these work together to ensure security [as published]. However, security also has political and economic dimensions. The military bases constitute only one of elements. Those bases and the joint defense of borders are essential at some stage. We have sustained enormous political, economic and other costs because of the transparency of many borders. The reason for the economic cost is that we are so tied to each other that any break in ties may mean the annihilation of entire branches of industry.

[Ghukasyan] That has already happened.

[Chernishev] Yes. Perhaps not completely but largely. Had the Soviet Union been a federal state, at least formally, then its economy would have stayed unitary. In my opinion we have gone too far in terms of division. From this perspective Western nations are setting an example for us by forming unions, the level of which has already reached 50 percent. In the Soviet Union that level stood at 80 percent. It could have dropped to 50 percent. Why was it necessary to go further? We were used to each other. Besides, our not so high-technology goods are needed only in those republics, and your products are needed in Russia. With those goods we do not need to go to outside markets. In any event, even with high-technology goods they would not let us in because the markets are already parceled out.

[Ghukasyan] One very important question is: What route will the new oil pipeline take to reach the West? Many observers see links between that question and the political developments in the region. What do you think?

[Chernishev] On the issue of building a pipeline there are two factors that are important for Russia: economic feasibility and political realities.

If there is a war in that region then the pipeline cannot be built. It may be possible to build one only after peace is established. In addition, oil is needed to build a pipeline. At present that oil does not exist, and in that sense perhaps we are only theorizing. According to our information, estimates and intelligence, even Westerners think that a pipeline cannot be built before 2000 to 2005 because money needs to be put first in production. For the time being it is necessary to use and expand what already exists. Thus Russia has said that it is possible to talk about where the oil will go, but since at present it is not flowing Russia's existing facilities can be used.

[Ghukasyan] What facilities did you have in mind?

[Chernishev] It is possible to connect to our pipeline and deliver the oil to the West. The oil can also be transported by tankers. For the initial period we are proposing that they use partly the pipeline going to the West and partly the pipeline that ends in Novorossiysk. That [port] is relatively small. Certain investments are needed to build the necessary storage facilities there. However, this option can be used in the next two to five years while plans are developed for a new pipeline.

I understand the Turks very well. They want the oil to go through their country. They have excellent modern storage facilities at Yumurtalik which, in the past, was used for Iraqi oil. Today there is no Iraqi oil flowing, and that facility is idle. Very well, that option can also be used, but how can we get to that point?

[Ghukasyan] Via Armenia.

[Chernishev] We are not excluding that option, nor are we saying only via Armenia. The pipeline can pass through Iran, but Westerners do not want that because of political considerations. The oil should pass from wherever it is most favorable economically and feasible politically.

[Ghukasyan] Do you think that a Russian military base in Armenia would contribute to the security of the oil pipeline if it passes through Armenia?

[Chernishev] That issue was not taken into consideration when the bases were being planned. The objective for the bases was different: to ensure the security of the region and a certain balance of forces. In one sense, the base by itself does not solve general security problems. It only signals that if something unexpected happens then certain agreements or provisions take effect. It should not be viewed in an absolute sense. It is rather a symbol, though a very important one.

[Ghukasyan] Here is what I wanted to clarify: As is known, Russia is interested in having the oil pipeline pass through its territory. On the other hand there is an economically more favorable route which passes through Armenia. However, the situation on that route is unstable. According to your remarks, the oil must not go through that route as long as there is instability. Now, is not Russia interested in the stability of the region by acting as a peacemaker and mediator to settle conflicts in the region? Could you please clarify this situation?

[Chernishev] The truth is that at the beginning they wanted Russia to withdraw from everywhere, physically as well as politically and psychologically, because we were seen as symbolizing the Soviet Union and imperialist Russia. Although it was insulting, that happened to some extent. I believe that we went too far on this issue.

Let me say candidly that all relatively small states, especially those who face chaos and especially war or crisis, always need the help of someone from outside. Their gazes turned to Europe and the United States, but apparently they did not find anything there. Nobody took this task to heart as much as Russia did—nor will anyone ever do—because they questioned what they would gain by getting involved in some conflict. As they say, this was a case where "it costs one rouble to get in, two to get out."

Troubled by our initial expulsion, we took the following position. Now you are inviting us in, but we are sorry: Please do not ask for what we could give you in the past through the Soviet format. Now you are independent and distinct, and we are sorry to say that we must comply with certain principles. All these issues are being gradually settled. Relations are being clarified on the basis of mutual understanding and interdependence, and these will become more tangible in the future in a positive sense. That is why we are engaged in mediation missions in conflicts in Abkhazia, Karabakh and Tajikistan. Unfortunately mediation is, to put it lightly, a very thankless task. It is a noble but thankless task.

[Ghukasyan] What are the reasons for the OSCE's involvement in the settlement of the Karabakh problem and the active posture it has displayed recently?

[Chernishev] Initially there was a noticeable intent to drive Russia out of the mediation process. The objective was the following: Russia must not be allowed to establish itself and express its interests in that region. Our position, on the other hand, is this: If you want to help and are genuinely capable to do so then you can participate in a realistic and concrete manner. But if you want just to stand on the sidelines and tell someone else what to do without getting too deeply involved then you should not mediate.

In this case Russia (I do not wish to speak about the other sides) agreed that the OSCE participate on the same basis and contribute to the settlement of the problem. There was a time when there were misunderstandings on their part and suspicions on ours. However, eventually we were able to iron out our differences. In Budapest we came to an agreement that this would be an OSCE operation and that it would have two copresidents. That is very good. Now let us begin to work, and let us work such that we do not step on each other's feet. Now Sweden is being replaced by Finland as one of the copresidents, and we need to work with them well. The Swedes have been there for a long time, while the Finns are just coming in. Newcomers are always unaware of the details of any given moment. However, we are hopeful that with some effort these differences will be settled over time and the work will go forward.

[Ghukasyan] There is another question that has always intrigued me. I am referring to the roles of Russia and Turkey in the Transcaucasus. Ankara has declared on several occasions that these two countries are the guarantors of the region. It is interesting. On what grounds does Turkey, a relatively less developed country, aspire to have an equal role with a great power like Russia?

[Chernishev] Of course Turkey has a certain role in this region. That cannot be ignored or denied. On the other hand, it is essential that no one object to the participation of Turkey in the talks on an equal footing with everyone, including Russia. We know that Armenia, and naturally Karabakh, are opposed to such active participation by Turkey. Thus in this case Turkey's role is neither that of an onlooker from the sidelines nor that of a full participant in the process, although it is represented in the Minsk group and the OSCE. Turkey does have a certain, though not so important, role, but that is not in any way comparable to the role of Russia or, for that matter, Sweden and now Finland, who are copresidents [of the Minsk group]. On the other hand, Turkey has influence over Azerbaijan and therefore has an impact on the Karabakh problem. That cannot be ignored and must be viewed as a reality which we need to circumvent.

[Ghukasyan] It is known that as the deputy foreign minister of the Russian Federation you are responsible for Middle Eastern and Transcaucasian countries, including Armenia. For a long time you were the ambassador of the Soviet Union and later Russia in Turkey. Does not that experience have any impact on your current work? Does it not hinder you? Or does it help you?

[Chernishev] It helps me, because Turkey is not an ordinary country. At present it is faces a chaotic situation both in terms of economic development as well as events related to the Kurdish and other problems. Turkey is surrounded with numerous problems: disputes related to northern Iraq, Cyprus, the Balkans and Greece. Consequently, my experience in working in all these directions as the ambassador of the Soviet Union and later Russia naturally helps me now. After all everything was and is of interest to us. Turkey is very close. Until recently we were neighbors. I can sense quite distinctly what the Turks want on this or that issue. That requires specialization—when all appearances are swept aside, and you see under real light what the Turks think and do. This has nothing to do with whether Chernishev is pro-Turkish or anti-Turkish. To engage in politics on such issues, one needs to sense and know clearly, without journalistic assumptions or accusations, what can happen really in this or that matter. Consequently, that experience only helps me and does not hinder me.

[Ghukasyan] I remember the time when the Turkish press published your private conversation with [Turkish president Suleyman] Demirel. In response to one question you spoke in favor of a Kurdish federation. The Turkish president responded immediately and declared that Turkey has been, is and will always be a unitary state.

[Chernishev] The exchange was milder than what was presented. There has been talk about the cultural autonomy of the Kurds for many years. Then the Kurds, as they say, expanded their demands, and said that now we must talk about not just administrative and cultural autonomy but a federation. Naturally the journalists were interested in my views, as ambassador. I said that this is generally your own internal affair. We support the principle of the political and territorial integrity of all states in this region, that is all of Eurasia. You can examine all the alternatives, from cultural autonomy to a federation. Whatever you decide is what will happen. But for them it was painful even to hear the word "federation" from me.

Regional Affairs

Significance of Regional Elections Viewed

954F2373A Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 3 Mar and No 4 Apr 95

[Two-part article by Nikolay Vladimirovich Petrov, candidate of geographical sciences, head of the Social Geography Laboratory of the Russian Academy of Sciences Geography Institute, and leader of the Center for Politico-Geographical Research: "Elections of Organs of Representative Power"]

[FBIS Translated Text]

[No 3, Mar 95, pp 25-34]

The elections of the organs of representative power of the regions (henceforward: regional elections), if they have not passed entirely unnoticed, then, at least, they have not attracted in society the attention that they deserve. Both the center's "preoccupation" with its own internal problems, with the customary attitude toward what is happening locally as something third-rate, and the lack of specific information (never mind local elections, consolidated information from a detailed territorial—rayon—angle has still simply never been made public on the all-Russia elections of 12 December 1993) are reflected here.

Yet it is hard to exaggerate the significance of regional elections for an understanding of the Russian political landscape. This is simultaneously (1) a mold and cross-section of the political situation locally, (2) a stage of the restructuring of the political space, and (3) work in progress for the future—an event which is destined to have a train of very important consequences. Of these three main aspects, only the first has had serious repercussions. Whereas the preparation of the elections absolutely did not excite the center, preoccupied with its own showdowns, the results did, but as a journalistic sensation of the day: with myths, inventions, and outright speculation (concerning total political apathy in the cities and assertiveness in the countryside, the victories of the communists, agrarians, and Zhirinovskiyites, and so forth). Yesterday's regional-election sensations very quickly receded to the periphery of public attention, the consequences, however, have yet to be pondered in earnest. The latter, though, are unusual and will be recognized in full in the very near future.

General Results

The study that served as the material for this article was performed on the basis of material of the Central Election Commission, the Department for Work With the Territories of the Office of the President of the Russian Federation, and regional analytical centers and also of the local press. The use of so large a number of highly heterogeneous sources made not only for certain difficulties in bringing together all the frequently quite fragmentary data but also for perfectly possible inaccuracies, for which the author apologizes to the reader in advance.

As of 12 December 1994, exactly a year, that is, since the start of the campaign for the formation of new organs of representative power, elections had been held in 74 regions, including 11 out of 21 republics, 54 out of 55 oblasts and krays, in both capitals, in all 10 autonomous okrugs, and in the one autonomous oblast. In Ulyanovsk Oblast, just as earlier in Amur Oblast, the elections were postponed on account of a judicial appeal lodged against the regulations governing them. In the first case the constitutionality of the carving out of districts, highly uneven in terms of the number of constituents, corresponding to the grid of administrative rayons was disputed, in the second the very legality of an organ of representative power other than the oblast soviet was called in question. Elections in a further five regions are scheduled for the winter of 1994-1995. The remaining six republics have yet to conclusively settle on a timeframe.

In 22 of the 74 regions in which elections were held the organs of representative power were elected in full, and in a further 11, practically in full (with one or two vacant seats). In 26 regions the number of vacant seats is more significant—up to one-third. It is such a proportion, according to the majority of the regulations on the regional dumas—the legislative assemblies—which is critical for a quorum, that is, 59 dumas were quorate at the first attempt. In 12 regions the number of vacant seats constituted from one-third to one-half, including Lipetsk Oblast and St. Petersburg, where only half the deputies were elected straight off. In three regions: On Kamchatka and in Khanty-Mansi and Taymyr Okrugs there proved to be even fewer deputies. In total, counting the supplemental elections, the new regional corps of deputies of the country constituted just over 2,000 persons.

No in any way clear-cut political-geographical pattern in the greater or lesser success of the regional elections can be discerned. High results, say, were displayed by both "dutiful" national republics (Chuvashia and Mordvinia constituted exceptions) and a substantial number of okrugs and by radical-democratic Moscow, Sverdlovsk, and Chelyabinsk Oblasts together with the "conservative" Southern Russian (Penza and Tambov Oblasts and Stavropol Kray) and Southern Siberian-Far Eastern (Irkutsk and Amur Oblasts) regions. At the same time, on the other hand, low success was noted not only in St. Petersburg and in the traditionally "democratic" industrial-city northern regions (Murmansk Oblast, the North Tyumen okrugs, Magadan, and Kamchatka) but also in the relatively rural heartland (Ryazan and Lipetsk Oblasts).

Techniques of the Elections

The elections were farmed out by the president to the local authorities. Such a diversity of regulations governing elections and scale of regional law-making was unprecedented for the country. In general outline the elections were regulated by *"Basic Provisions Governing Elections to Representative Organs of State Power of the Kray, Oblast, City of Federal Significance, Autonomous Oblast, and Autonomous Okrug"* and *"Regulations Governing the Basic Principles of the Organization and Activity of the Organs of State Power of Krays, Oblasts, Cities of Federal Significance, the Autonomous Oblast, and Autonomous Okrugs of the Russian Federation for the Period of Phased Constitutional Reform"* approved by Edicts 1765 and 1723 of the president of the Russian Federation of 27 October and 22 October 1993 respectively. Very substantial freedom was obtained by local initiative here, and although the Central Election Commission did keep an eye on the conformity of the regional election regulations to the Russian regulations, its findings were, in fact, merely of a recommendatory nature and were far from always taken into consideration in practice. Reality proved to have arranged a far-reaching social experiment, and the most diverse models and forms of electoral systems and mechanisms were officially put to the test. An analysis of this entire diversity is of dual interest: both from the viewpoint of the verification in action of diverse modifications of electoral law and the mechanism of elections and in respect to the study of regional singularities of "popular" or, more precisely, regional-elite political culture and the notions of democratic elections in their primordial freshness.

The first and quite important question is: **Who organized and conducted the elections in the regions?** As far as the republics are concerned, everything there is quite plain—their supreme soviets were not dissolved, and it was they that adopted the corresponding laws and conducted the elections. It is interesting that even in the oblasts and krays in which, seemingly, the soviets had been dissolved, only in half of the instances were election regulations drafted and adopted by the administration—this is the proportion that we get from an analysis that we conducted of over 30 election regulations. (Footnote 1) (The editorial office intends to publish the pertinent tables in the next issue of the journal.) In approximately one-third of the regions the election regulations were adopted by the soviet. In several of the remaining instances the regulations were approved by a joint decision of the oblast soviet and the administration, and in Lipetsk Oblast a special constituent assembly even was convened for discussion and adoption of the regulations.

Some people might object here, saying that the election regulations were adopted in November 1993-January 1994, when not all the soviets had been dissolved, but that subsequently, it is alleged, the situation changed fundamentally. We would note that, first, in a number of regions the soviets happily prospered up to the election of the dumas and in a ceremonial atmosphere, as in Kurgan Oblast, for example, passed on the baton to their successors and that, second, in some regions, where the soviets had been dissolved "in time," there was, for all that, no gap in time between the former soviet and the new legislative assembly for some transitional structures formed on the basis of those same soviets operated there this whole time. Thus, for example, there was in Irkutsk Oblast after the official dissolution of the oblast soviet in October initially for two months some council of deputies and then, up to the election of the legislative assembly, a control chamber consisting of those same former deputies. It was the head of this chamber, incidentally, I. Zelent, former first deputy chairman of the oblast soviet, who was to become the chairman of the legislative assembly. The situation developed similarly in Saratov Oblast also, where A. Kharitonov, first deputy chairman of the oblast soviet, came to head initially a provisional committee for the reform of the organs of representative power and then the duma also. Getting ahead of ourselves somewhat, we would note that it was in the regions in which the oblast soviets conducted the elections of the new organs of representative power that their chairmen more often than not came to head the newly elected dumas and legislative assemblies also.

Moscow and Moscow Oblast constitute something of a special case. The regulations on the election of dumas in them were approved by a special edict of the president of the Russian Federation (Edict No. 1738 of 24 November 1993). The edict recommended that the representative and executive organs of state power of components of the Russian Federation take account of the principles and practical approaches contained in the Moscow election regulations. It subsequently transpired that the Moscow regulations were not simply not replicated in other regions but that even in Moscow Oblast itself the elections were conducted in accordance with another format: Instead of a ballot in two rounds in 25 single-mandate territorial and 25-mandate party districts, a ballot in one round in 50 single-mandate territorial districts was conducted.

Number of seats up for election. Limited from above by the president to a level several times lower than was the case in the regional soviets, it varied in the oblasts, krays, and federal cities from 15 (Vologda and Kostroma Oblasts) to 50 (St. Petersburg and Moscow and Orel Oblasts). In the republics, where in a number of cases a bicameral parliamentary structure has been established, the number of deputies is higher and amounts to 72 (Kabardino-Balkaria), 75 (Mordvinia), and 85 (Udmurtia). In Nenets Okrug, on the other hand, where, as in all the autonomous okrugs, deputies were elected both to their own and to the corresponding oblast or kray legislative assembly, the number of its "own" deputies was established at a record low level—eight persons. We would note in passing that the local elections manifested not only the strange two-story character of the contemporary Russian federative arrangement in the case of the okrugs but also the aspiration of the okrugs to do away with this oddity and enshrine their legal equality with the "mainland" oblasts: In Koryak Okrug elections to the legislative assembly of Kamchatka Oblast were not conducted at all, and there are no representatives of Chukotka in the Magadan Duma or representatives of Taymirskiy Okrug in the Krasnoyarsk Legislative Assembly.

Although the representation quota in the legislative assembly varies within the 200-factor range—from fewer than 1,000 constituents in Evenkia to almost 200,000 in Moscow—in respect to the oblasts and krays as a whole we may speak about a certain proportionality of the number of seats up for election to the size of the population of the region. There are two departures here: in the direction of an "exaggeration" of the dumas in a number of small, medium, and relatively large regions (Orel, Ulyanovsk, Kirov, Kursk, Orenburg, and Voronezh Oblasts and others) and in the direction of a relative understatement of the size of the dumas in certain of the biggest regions (Moscow, Sverdlovsk, Chelyabinsk, Samara, and Tyumen Oblasts). On the map both deviant groups— overstatement (the Southern Russian Chernozem and Southern Siberian regions) and understatement (the industrial Urals)—surprisingly coincide with the two poles in terms of electoral behavior: conservative and reform.

The average size of the regional legislative assemblies constituted 32 deputies for the krays, oblasts, and federal cities. Precisely this size of legislative assembly was noted only in one region here—Volgograd Oblast. The most popular in determination of the numerical composition of the legislative assemblies were the following "magic" numbers: 21 (six instances), 25 (seven instances), 45 (six instances), and 50 (five instances). The number 30 is encountered four times, 15 and 23, three times, and 27, 35, and 40, twice. There are twice as many regional dumas with an odd number of deputies as with an even number (to avoid tie votes?).

In the autonomous okrugs the average size of the dumas is a little over 15 with fluctuations from eight to 23, and in six cases out of 11 the dumas consist of 15 deputies precisely. In republics where their parliaments are unicameral their size is in no way distinguished from the oblast and kray legislative assemblies—those same average 32 seats—in Karelia, Yakutia, and Kabardino-Balkaria, where bicameral parliaments are already operating, their average size is twice as big.

The size of the legislative assemblies is not something permanent even within the framework of the present legislative base. Many regulations, incidentally, do not strictly fix the numerical composition of the legislative assemblies and say only that it shall be established by an election commission on the basis of the data of voter registration and in accordance with some representation quotas. Is it possible to speak of certain optimum dimensions of the legislative assemblies in isolation from everything else? Why not? I believe that this optimum for the majority of regions, except for the tiniest, is closer to the upper limit of the numbers, somewhere between, say, 30 and 50 deputies. Smaller legislative assemblies have a less intricate internal structure and are, consequently, less stable. The election of skilled specialists is less there, among the two-fifths who, according to the regulations, may work on a permanent basis included. It is more difficult to carve up identically large districts than small ones. Finally, we cannot disregard the perfectly real risk of invalid elections—in this case also the consequences for the large dumas are less painful.

Electoral systems. Let us begin with the republics, where, as a rule, the composition of parliament and, consequently, the mechanism of its election are more complex than in the krays and oblasts. Provision is made in many republics and certain autonomous okrugs for bicameral parliaments. The deputies are usually elected to one chamber by simple single-mandate territorial districts carved out in accordance with particular representation quotas, although nowhere chopping up administrative boundaries either. An indispensable condition here is the presence, at a minimum, of one district on the territory of each rayon and city of republic jurisdiction (Chuvashia, with its 19 territorial districts, being the exception). Chuvashia and Buryatia were exceptions of another kind also—only in these were the elections conducted in two rounds.

Representation in the other chamber is established not from the constituents proportionate to their number but from the administrative-territorial units: rayons, cities of republic jurisdiction, and city rayons in large cities. Administrative- territorial districts may also be multiple-mandate, as, for example, in Taymyr Okrug, where the number of seats per rayon is established in accordance with a common representation quota, or in Udmurtia, where half of the 50 seats in the House of Representatives are allocated the countryside (each rural rayon and the city of Mozhga represent a single-mandate district), and the other half, the city (in the cities of Votkinsk, Glazov, and Sarapul and in each rayon of Izhevsk triple-mandate districts have been formed). The format of parity representation of town and country has been realized also in the Chukotka Duma, where three deputies each from two districts—one consisting of national villages, the other, of miners' communities and cities—are elected to the lower chamber.

The Mari Parliament, which was elected according to a mixed system, appears to be an exception to the standard format. It is unicameral, but one-fourth of the seats in it (eight out of 30) are held by deputies elected in the single all-republic district by party slate. Even more unusual and inconceivable from the viewpoint of democratic standards is the parliament of Ingushetia, which is elected per a single all-republic 27-mandate district. The latter instance represents so flagrant a breach of human rights that it was once cited by S. Kovalev in one of his reports.

In the oblasts, krays, and federal cities the legislative assemblies are unicameral. The majority system of a relative majority with a ballot in one round was absolutely dominant here. There were only two exceptions: St. Petersburg with two rounds of voting and Saratov Oblast with a mixed system (25 deputies per single-mandate districts and 10 in an all-oblast district by party slate). As already mentioned, a mixed system similar to that which was employed at the elections to the State Duma of the Russian Federation (half the seats by territorial district, the other, by party slate) was contemplated for Moscow Oblast also, but was subsequently replaced by a more traditional system.

Of the same type does not mean uniform. And with one and the same majority system the differences in the electoral mechanism between regions were very substantial. Primarily, the administrative- territorial district format was realized in the oblasts also. Priority here belongs to the head of the administration of Tula Oblast, who on 12 December 1993 even formed the oblast duma from representatives of the administrative-territorial units of the oblast (the differences in the number of constituents who sent a deputy to the duma went as high as a factor of 15 here, and rural inhabitants are, as a result, preponderant in the organ of representative power of one of the most highly urbanized regions, and Tula, which constitutes one-third of the total number of constituents of the oblast, is represented at the present time by just three deputies out of the 27—a further two seats that it had been allotted in December were not occupied on account of the large number of candidates who failed in their entirety to outnumber the votes cast against all of the above, and repeat elections in March were invalid owing to the low turnout [no closing parenthesis as published]. Arkhangelsk Oblast behaved "more fairly": 20 of the seats in the legislative assembly elected at that same time, 12 December, were allocated Arkhangelsk itself, Severodvinsk, and other cities of oblast jurisdiction, this forming districts of 25,000 to 45,000 constituents, 20 were allocated administrative rayons, the smallest of which, Solovetskiy, with its 900 constituents, is 30-50 times inferior to the urban districts, and the remaining 41st district was given, lest anybody take offense, to town and country jointly.

The initiative of Tula and Arkhangelsk was seized upon by two "strong bosses" of the old model: Yu. Goryachev, who decreed that only 24 of the 50 deputies of the Ulyanovsk Legislative Assembly would be elected from territorial districts, and 26, from administrative-territorial districts (rayons), and V. Desyatnikov, who, while not terming the districts administrative-territorial, introduced in the Kirov election regulations a clause concerning the coincidence of their boundaries with the administrative boundaries and removed any mention of a representation quota and the equality of the districts. In Ulyanovsk elections were postponed at the last minute "until later" as a result of the oblast court's abrogation of the "administrative-territorial districts" as illegal. In Kirov the elections were valid, and a duma was formed from representatives of all rayons.

However pastorally naive the violations of the base principle of **one man, one vote** in the heartland, where, it is believed, the representation of the localities could prove far dearer to the legal consciousness than abstractions of the civil society exacting representation from people, might appear, it should not be forgotten that, first, the initiative was set by elections to the State Duma, at which each region within the Russian Federation obtained, at a minimum, one seat, and, second, that **the greater degree of representation in the regional legislative assemblies of the countryside—more dutiful and manageable—is merely a component of the process of the ruralization of Russian social and political life that is occurring universally.** The election to dumas of representatives from each rayon is also an unequivocal answer to the far from trivial question, despite its apparent simplicity, of whose interests—those of the entire population of the region or of his "own" district—the deputy should defend in the legislative assembly. The attempt of the electorate of Kamchatka's Bystrinskiy Rayon to boycott the elections, as a consequence merely of the fact that, being united in a single district with Milkovskiy Rayon, which is eight times larger in terms of the number of constituents, they were deprived of the possibility of getting "their" candidate elected, could testify, for example, to the rooted nature at the local level of the latter.

The second major innovation extensively represented at the regional elections were the multiple-mandate districts, which will be described below.

Territorial electoral districts. There were multiple-mandate districts, which increase appreciably the possibility of the manipulation of the expression of the will of the electorate and the falsification of the results of the ballot, in one-fourth of all regions. They were present in almost all republics, except for the republics of Altay and Yakutia. Aside from the record 27-mandate Ingush District, five-mandate all-region districts were employed in Tuva and in Nenets Okrug, three-mandate districts in Kabardino- Balkaria, in Udmurtia (elections are still to be held), and on Chukotka, and two-mandate districts in Karelia and Chuvashia.

In the oblasts and krays multiple-mandate districts were encountered in 10 instances. In four of them the region was simply divided into a particular number of equal-mandate districts: Sakhalin and Sverdlovsk Oblasts into four-mandate districts (four and seven respectively), Bryansk, into three-mandate districts (nine), and Tambov, into two-mandate districts (15). Fifteen two- mandate districts figure in the Regulations Governing Elections to the Amur Oblast Assembly, but in the plan of the districts published by the oblast election commission in the wake of the regulations there were only 12 two-mandate districts, and all of Blagoveshchensk became one six-mandate district (the elections in Amur Oblast have been postponed until the fall since an appeal against the regulations governing them has been lodged in the courts). In the remaining regions—Krasnoyarsk Kray and Kamchatka, Murmansk, Penza, and Smolensk Oblasts—there was a curious mixture of one-, two-, three-, and four- and even five-mandate districts.

Special mention should be made of the seven- to eight-mandate districts formed within the boundaries of the 1993 duma districts for elections to the legislative assembly of Krasnodar Kray as a response to a criticism of the Central Election Commission in connection with the inequality of the single-mandate districts that had been formed earlier. Here is the explanation for the multiple-mandate system, which is new for the kray, which was given on the eve of the elections by Ye. Kharitonov, chief of the administration: *"We are having for the first time to elect deputies of the legislative assembly and the local government authorities according to a multiple-mandate system. It is not to the liking of many people, and there have been repeated appeals for us to hold the elections by single-mandate districts. I also am a supporter of one deputy being elected for one vacant seat in a district. I believe that with this system the strongest personalities in the district, those who truly possess authority in society, would be elected. But current legislation and presidential edicts concerning the electoral system require the maximum equality of the number of voters in each district, permitting here the creation of districts with a varying number of deputies' mandates."* (Footnote 2) (KUBANSKIYE NOVOSTI No. 211, 9 November 1994.) We would refer to the material of the discussion of the new electoral law in the Federation Council in the fall of 1994 those who discern insincerity in this opinion of the head of the kray, where the elections were conducted far later than in the majority of other regions of the country and when talking about a lack of experience of that same carving out of districts would, seemingly, have been shameful even.

The Regulations on Elections to the State Duma, just as subsequent explanations of the Central Election Commission in connection with the regional elections, formulated three main requirements of the territorial districts:

approximate equality in terms of number of constituents;

territorial unity;

adherence, **as far as possible,** *to the administrative boundaries* in the event of the unconditional fulfillment of the first two requirements. Clause c) of the Basic Provisions Governing Elections to Representative Organs of State Power of the Region was formulated differently and very oddly here: *no less than one electoral district on the territory of a rayon (city of federal significance).*

These principles were contained in this form or the other in all the election regulations in the regions. As far as the approximate equality of the districts in terms of the number of constituents is concerned, this requirement is recorded in all the regulations, other than those of Kirov, according to which the districts should merely coincide with the administrative cells, and of Kurgan, which formulate merely the requirement of territorial unity. The difference lies merely in the norm of possible departures. In the majority of regions it is established as 5-10 percent, although 15 percent (Ivanovo, Kemerovo, Kursk, Magadan, Novosibirsk, Samara, and Ulyanovsk Oblasts and Moscow), 18 percent (Tver Oblast), 20 percent (Murmansk Oblast), and 25 percent (Perm Oblast) are encountered also. That a number of regulations has established from the outset that the departures may exceed the permissible levels "in exceptional cases for the purpose of combination of the boundaries of the electoral districts and administrative units (Leningrad, Novosibirsk, Omsk, Perm, Rostov, and Tver Oblasts and Moscow) or contain a provision concerning the existence of no less than one electoral district on the territory of a rayon (Astrakhan, Voronezh, Kursk, and Magadan Oblasts) is another matter.

Finally, **the main problem is not that the election regulations where they deal with territorial districts are ambiguous and intrinsically contradictory but that in a considerable number of instances they are simply not executed.** The impression one has is that, as in other spheres of Russian life, the rules here are frequently regarded as being rules for the sake of rules, not as applied to the realities they are, it would seem, intended to regulate, and either some regulations are elaborated, and some others, not conforming to the former in the least, are realized, or the regulations are altogether adopted for mollification of the center, not for realization. It is difficult otherwise to explain the fact that, having checked out the carving of districts in over 30 regions, we discovered in half the cases flagrant departures from the regulations. The scale of these departures (and, hence, violations of the law and the fundamental one man, one vote principle of democracy) is impressive. Thus in Vladimir Oblast, where according to the election regulations districts may differ no more than 10 percent, the actual differences constituted 87 percent, and even neighboring districts, the 3d and 5th, formed in the oblast center, differed between themselves by a factor of more than 1.5, what is more. It is curious that the representative of the president of the Russian Federation in Vladimir, who not long before the elections had lodged an appeal against one of the clauses of the decree on the provisional regulations, simply did not notice so flagrant a violation in the carving out of the districts. In Tyumen Oblast the actual differences in the dimensions of the districts constituted 115 percent (Territorial Electoral District-3, 50,857 voters, Territorial Electoral District-8, 109,167 voters) against the 10 percent established in the regulations. In Penza Oblast the regulations require merely the "approximate equality" of the districts and do not establish strict norms but the differences there reach a fivefold value: 8,574 voters in Territorial Electoral District-27 and 82,285 in the two-mandate Territorial Electoral District-21 in Penza itself.

The disregard for prescriptive documents in the carving out of districts is not everywhere and not always a product of ill intent, although a great deal has already been written, and rightly so, about the deliberate downplaying of the importance of the votes of inhabitants of large cities and, particularly, of the regional centers in favor of the far more manageable and conservative rural heartland. The point is that compliance with the very strict norm recommended by the Central Election Commission of no more than 10 percent in the districts' mutual departures from one another in terms of numbers of constituents is possible under our conditions only if the boundaries of the administrative rayons are chopped up. Any attempts to preserve these boundaries inviolate, on the other hand, and more than half the regions perpetrated this sin, cannot fail to entail departures appreciably in excess of the standard departures.

The voters and those running for office. As far as the requirements of the voters are concerned, they are in the majority of cases standard: 18 years of age and over and the condition of permanent residence in the region. In some cases it is stipulated especially that men on compulsory military service shall be entitled to vote only if at the time they were drafted they were inhabitants of the given region. We know of only three instances of all servicemen being included in the body of voters: Voronezh and Omsk Oblasts and St. Petersburg. In Saratov Oblast the right to vote was enjoyed by refugees also, and in Tver Oblast, by refugees and involuntary immigrants. St. Petersburg is an interesting case. A. Sobchak's original regulations barred men on compulsory military service and out-of-town students from taking part in the ballot, which, generally, is perfectly logical, if they are considered to be guests, not full-fledged citizens. The Civil Division, to which the Union of Labor Collectives of Petersburg and the Oblast applied, deemed the suffrage restrictions on the temporary Petersburgers to be illegal and reversed them. The question of men on compulsory military service is not as simple as it might appear. Barring them from local elections, we are without any grounds for this qualifying the rights of a very substantial segment of citizens. Admitting them, on the other hand, we run the risk under the conditions of the virtually maximum low turnout, as currently, of the appreciable, if not decisive, influence on the results of the elections in particular districts of the position of the paternal commanders with very considerable power over their army, which is very disciplined compared with the rest of the electorate. The situation is complicated by the fact that the soldiers voting by mail, as is practiced in the United States, for example, is in the case of elections at the regional level barely feasible technically.

The requirements of those running for office are highly standard also: 21 years of age and older (only in Rostov Oblast, Mordvinia, and Chuvashia is the age threshold set at 18, which ultimately changed nothing, for that matter—nowhere are there deputies below the age of 30, in any case); and deprivation of the rights of those who have been adjudged by a court of law to be incapable and who are being held in places of imprisonment (this requirement extends both to voters and those running for office). In approximately one-third of all regions the regulations contain a clause to the effect that a deputy of another representative organ of state power or local government may not be a deputy of a regional legislative assembly. In Belgorod "officials of the oblast administration—the head of the administration and his deputies"—are officially denied the right to run for the oblast assembly, and in Astrakhan the list of refuseniks includes, aside from the already-named head and his deputies, "leaders of committees, offices, departments, and other structural subdivisions and their deputies." There was a clause to the effect that the heads of administrations of cities and rayons may not be elected to the oblast representative body or that, having become deputies, they must give up their office in the regulations on the elections of the Nizhegorod Legislative Assembly, but the 18 administration chiefs who came to be there simply removed it by a decision of the legislative assembly. St. Petersburg, where in the original version of the regulations persons who were without a permanent place of employment (a slap at former deputies of the former Petersburg Soviet) or who had resided in the city for fewer than five years (settled way of life qualification) could not be candidates, stood out also.

Turnout threshold. As the elections themselves showed, turnout was just about their principal bottleneck. How many constituents must take part in the ballot for the elections to be considered valid? To this question, as to others also, the election regulations provide several versions of an answer. In approximately half the regions the elections were considered valid if **no fewer than 25 percent of registered voters took part** in them, in two instances— Irkutsk and Tambov Oblasts—the participation threshold was set at 35 percent, and in Ulyanovsk Oblast, where the elections have yet to take place, a threshold of quite 50 percent is specified.

But what is meant by **take part?** It means going to the polling station, picking up a ballot (this is **participation in the elections**), and, perhaps, leaving without even taking it as far as the ballot box or dropping it in the ballot box (this is **participation in the ballot**) without having filled it out or having done so, but wrongly. **The proportion of valid ballots of 25 percent of the number of registered voters,** which was employed as an indicator of the "validity" of the elections in approximately one-fourth of all regions, is a stricter indicator. Stricter and simultaneously tougher, for under the conditions of the low electoral activity that was observed, the 2 or 3 percent which on average distinguish the proportion of valid ballots from the proportion of ballots received, at times decided the issue. So that you need not take me at my bare word, I will say that in Ivanovo Oblast, for example, where, employing the 25 percent participation criterion, the elections were deemed invalid in two districts, the adoption as the threshold of 25 percent valid ballots, not of all the ballots cast, would have made the elections invalid in a further six (!) districts. There would have been absolutely the same formula—six plus two—in Tomsk Oblast, where the number of valid ballots in toto for all 10 districts of the city of Tomsk constituted 23.7 percent of the number of constituents. Four deputy's seats successfully occupied per the turnout criterion would similarly be standing empty in the legislative assembly of Vladimir Oblast. In Nizhegorod Oblast, on the other hand, three of the 13 vacant seats in the legislative assembly would have been occupied in March, had not the number of valid ballots but turnout been taken into consideration.

The toughest criterion was employed in the elections to the State Council of Chuvashia: *"A candidate for deputy who has at the elections obtained the largest number of the votes of constituents who took part in the ballot, but not less than 25 percent of the number of citizens entered on the electoral rolls, provided that the number of votes cast for the candidate is greater than the number of votes cast against all candidates."* Is it any wonder that Chuvashia with its 27 deputies out of the 47 elected at the first attempt showed the lowest success rate of all the republics, in the majority of which the parliaments were brought fully up to strength at the first attempt.

Votes "for" and "against." Nowhere other than in Chuvashia was a lower limit of the proportion of votes sufficient for a candidate to be considered elected established. There was great significance, therefore, in the recording of the votes **"against all candidates"** as the sole barrier against candidates who were unpopular or unacceptable to the constituents appearing in districts with their ilk. This barrier, unfortunately, operated in far from all instances—in one-third of the regions, at a minimum, the proportion of votes against all of the above exerted no influence on the outcome of the elections. Why "at a minimum?" The point is that the election regulations were continually being adjusted, primarily where they deal with determination of the results of the elections. Thus, for example, with a reference to Decree No. 143 of the Central Election Commission of 21 January 1994, a clause requiring the winner to have mustered more votes than had been cast "against all of the above" was removed from the regulations on elections to the Vladimir Legislative Assembly. As a result, a candidate who mustered 14 percent of the vote was elected to the duma in Territorial Electoral District-4 in the city of Vladimir, whereas 21 percent of the votes, 1.5 times as many, that is, were cast "against all of the above."

One further highly characteristic feature. As we all know, the form of the ballot at the 1993 elections to the Federal Assembly and, immediately after them, at all the regional elections also made no provision for the possibility of recording the votes against each candidate. This not only lowered the information content of the results of the voting, although perhaps it did simplify the procedure both of the voting itself and the counting of the vote. As a result, there was a lowering also in the degree of protection of the elections against fraud. We are talking, however, about something else: One out of every two election regulations in the wake of the "Basic Provisions...." speaks of registration of the votes cast against each candidate and of the inclusion of this indicator in the reports of the election commissions. This example is akin to phantom pains, it helps to lend value to the written electoral law and testifies to the haste and slovenliness of the way it was drafted (or copied?), inattentive reading, and careless execution. Trust a government bureaucrat to make a hash of it, for that matter.... Yet there appears in the table containing the results of the voting in the elections to the Moscow City Duma the column **"against each candidate,"** which shows simply the difference between the total number of valid ballots and the number of votes cast for each specific candidate. Need it be said that the number of votes "against" calculated in this fashion is three or four and quite six times greater even than the votes "for?" Never mind, this does not embarrass the bureaucrat.

Regions in terms of degree of perfection of election techniques. Like all relatively intricately organized flow charts, the election regulations—both the model regulations introduced by presidential edict and their numerous local modifications—possess some *systemic unity.* In other words, individual entries and elements of the regulations are quite strictly interconnected, and changing or even ejecting one element, we, generally speaking, automatically adjust many others connected with them also and revise the structure as a whole. If the appropriate revisions are not made to the text, the structure is changed all the same, but then some of the entries change from being support elements to stage props.

There is no need to go far for examples. The first of them, which has already been mentioned, is the **nonconformity of the requirement concerning the recording of the votes against each candidate to the new form of the election ballot.**

A second example is **the incongruity of the idea of the equality of the districts in terms of the number of constituents and the strict 10 percent margins, which are realized hardly anywhere, some vague idea of the integrity of intra-regional administrative boundaries, and, even more, the idea declared in a number of sets of regulations of representation not of the citizens but of administrative units.** In practice the equality of the districts has not materialized in the majority of regions—where the boundaries of the rayons have not been chopped up this is impossible. In a number of instances here the unwritten principle of the nonviolation of rayon boundaries was preferred to the solemnly declared equality. After the words concerning the equality of the districts, in places the regulations diffidently added that "in exceptional instances the departures may for the purpose of observance of the administrative boundaries be higher than the norm" with the permission of the Central Election Commission or without it even. It hardly needs to be said that the exceptions embedded in the format in advance practically deprive of any meaning the principle of the equality of the districts ensuing from the **"one man, one vote"** fundamental rule of democracy. Districts are either equal or they are not equal, and whether they are all different or whether merely some districts differ from the rest is of no particular significance.

Finally, the third, most material, example, most likely, of the sharp decline in the quality of the electoral process as a whole when there has been an adjustment of one clause of the regulations is **the nonconsideration of the vote against all of the above combined with lowest possible turnout threshold and a one-round ballot** (everywhere except for St. Petersburg, Buryatia, and Chuvashia) **and the absence of a lower threshold of the vote for the winner** (everywhere except for Chuvashia). Having in January at the instigation of the Central Election Commission removed the clause to the effect that *the elections shall be deemed invalid if the number of votes in the "against all of the above" column exceeds the number of votes cast for the candidate who has mustered the largest number of votes* (two months previously this entry had been removed from the Regulations Governing Elections to the Federal Assembly also), a number of regional election commissions deprived the voter, virtually, of the right to negativism and to a rejection of the candidates imposed on him. In spite of the fact that freedom of expression of will formally remained, the requirement concerning the registration of this expression of will was buried. To the credit of many election commissions and regional leaders, it has to be said that far from all of them took the path of least resistance suggested by Moscow.

An attempt was made in the process of the research to evaluate the quality of the elections in the regions both in terms of criteria of perfection of the **normative base** (account was taken here primarily of the principles of formation of the districts, participation thresholds, and registration of the vote against all candidates) and in terms of the actual **practice of the elections**— after all, as already mentioned, the regulations were observed far from unswervingly. It should have been expected that the regulations, the original ones, at least, however bad, would practically always be better than their execution.

It is essential to mention three conclusions of a general nature:

(1) the differentiation of the regions in terms of quality of the actual elections simply does not, contrary to expectations, correlate with the differentiation of electoral behavior and the developed nature of the electorate's democratic precepts. Consequently, first, the class similarity of the administrative bureaucracies of the authorities is considerably greater than the differences between them in "democratic" and "conservative" regions and, second, the "rank-and-file" constituents, those, that is, who determine the electoral physiognomy of the regions, were detached from the process of law-making in so important a sphere of it as suffrage. The latter is a product, it would seem, not only of the intrigues of the "upper strata" but also of the uttermost indifference of the lower strata—of the low political and legal culture of society at all its levels.

(2) The quality of the conduct of the elections was in no way obviously connected either with which branch of power—executive or representative—drafted the regulations and organized the elections or with how harmonious or, on the contrary, confrontational and democratic or authoritarian the regional political Olympuses were.

(3) Nor does the success rate of the elections either correlate particularly with the perfection of the normative base and the actual election procedure. Both highly successful, where the legislative assemblies were manned fully at the first attempt, and unsuccessful, with a great shortfall in the manning level, are encountered among the relatively fortunate regions from the viewpoint of election techniques, just as among the most unfortunate.

[No 4, Apr 95 pp 33-46: "Results of the Elections"]

Voting with the feet. Turnout is one of the best all-purpose indicators of the citizens' electoral activity. With reference to Soviet and early post-Soviet reality it is by turnout that the depth of the democratic transformations in society could, as of 1989, be most easily evaluated: The more uninhibited and politically developed the electorate was, the further it departed from the former obligatory Soviet 99.9 percent and the more it exhibited a low turnout. This was true at local elections in 1990 in conjunction with the elections of people's deputies of the RSFSR, it was true at the referendums of the USSR and the RSFSR in 1991 and the elections of the president of the RSFSR which followed three months later. This whole time the victor's palm in terms of "lowness" of turnout was held by Leningrad and Moscow, highly urbanized industrial northern regions, and cities in general.

The situation shifted in 1993. At first, at the April referendum, everything was blended together in the hierarchy of the regions— outsiders in terms of turnout—and the leaders of the democratic transformations in society, which permitted a conclusion as to the completion, on the whole, of the electoral transition from the totalitarian to a relatively democratic voting model. Then at the December Federal Assembly elections, when, having broken with all five-year and five-whatever elective stable evolutionary trends, turnout fell sharply everywhere—by 10 percentage points.

The 1994 regional elections produced a new, wholesale decline—of 20-30 percentage points—in turnout, which evoked numerous groans from the press in connection with the alleged total apathy of the electorate as a consequence of economic fatigue and disenchantment with policy and politicians. The latter did, undoubtedly, occur, which is entirely normal, for that matter, and even salutary to a certain extent. That the process of loss of faith in the "good tsar" and the political magic wand has been far more gradual than might have been adjudged from the figures of the population's participation in the 1994 regional elections is another matter. It is not proper, strictly speaking, to compare participation in them either with 1990 or with 1993, as those were all-Russia elections, which always attract the incomparably greater attention of society at any level and of all the forces operating in them, right down to the individual citizen. The cliches that had taken shape over decades of purely decorative soviet power, when the role of extras was foreordained for both the elect and the electorate, proved to have survived in respect to the regional "legislators." Even now, when B. Yeltsin and the very course of political development had, seemingly, sharply increased both the responsibility and the significance of each deputy of a regional assembly, the people still reacted to the local elections, as before, as secondary in comparison with all-Russia elections. There is thus a manifest discrepancy between an objective strengthening of the regional component in the Russian political domain and its actual role and that which is assigned it in the public mind.

The participation of the populace in the December 1993-May 1994 regional elections constituted 33-37 percent on average—a turnout in two out of every five regions pertained to this range. The variation in participation that was noted was exceptionally high: from 18.5 percent on the first day of the elections in St. Petersburg (by a decision of the mayor, the elections were extended, and considering the vote on the following day, the turnout constituted 25.6 percent) and 20-23 percent in Murmansk, Kamchatka, and Samara Oblasts to 56.3 percent in Tula Oblast, 54.6 percent in Arkhangelsk Oblast, and 53.9 percent in Moscow, where the elections of dumas took place on 12 December 1993, simultaneously with the elections to the Federal Assembly, 54.1 percent in Buryatia, and 59.9 percent in Aga Buryat and 63.2 percent in Ust-Orda Buryat Okrugs. Aside from the regions already listed, an excess of the 50 percent mark was observed only in one other instance—Komi-Permyak Okrug (50.4 percent). In the other regions the turnout fit within the 25 to 50 percent range. The pole of absenteeism and low turnout were the regions of the North and the Far East, and of high turnout, the Chernozem and Industrial Center and Southern Siberia.

A comparison of the people's participation in the elections of December 1993 and the spring of 1994 shows the following:

(1) **in all regions participation declined** (least in Buryatia, where elections of the president and the People's Hural were held simultaneously—by less than 2 percentage points—and in both Buryat autonomous okrugs—by 4-6 percentage points—and also in Irkutsk Oblast, where the elections to the legislative assembly were harnessed with gubernatorial elections—by 5 percentage points);

(2) **the relative level of turnout in the regions is quite stable,** turnout grew relatively sharply (from low to high) only in one region—Irkutsk Oblast—and a further nine regions markedly improved their position: four, all national, from average to high: Komi-Perm, Taymyr, and Evenk Okrugs and Buryatia; and five: Astrakhan, Nizhegorod, Perm, and Chita Oblasts and Khabarovsk Kray, from low to average. Several regions suffered a deterioration in their position, none sharply, though: Ivanovo and Leningrad Oblasts (from average to low) and the Western border Bryansk, Smolensk, and Pskov Oblasts and the adjoining Tambov Oblast (from high to average). The remaining almost two-thirds of the regions retained their position relative to one another in terms of turnout.

Behind the average figures of participation in the elections for the regions are very considerable internal differences amounting to a factor of two and more at times. Thus in the Khabarovsk rural Territorial Electoral District-3 turnout constituted 44.6 percent, and in a Khabarovsk urban district (Territorial Electoral District-9), 23.7 percent, in Komsomolsk-na-Amure (Territorial Electoral District-20), 22.5 percent, and in Nizhegorod Oblast in rural Territorial Electoral District-33 turnout was 56.9 percent, and in a number of districts of Nizhniy Novgorod itself, 23-25 percent.

There are two principal grounds for the differentiation of participation and other parameters of electoral behavior: **town— country"** and **"center—periphery."** We took both these grounds into consideration in the model of intra-regional differentiation of electoral behavior constructed on data on the elections in 10 regions of the country. Three structural parts which were highly different in terms of electoral behavior were distinguished in each region: *the regional center, cities of regional jurisdiction, and rural rayons.* As can be seen from the model, the participation of inhabitants of the regional center in the elections constitutes approximately 80 percent of the regional average and is roughly 1.5 times lower than the participation of inhabitants of a rural rayon. Cities of regional jurisdiction occupy an intermediate position, on the whole, although some of them, like, for example, Nizhegorod's Dzerzhinsk, Kursk's Kurchatov, Vologda's Cherepovets, or Khabarovsk's Komsomolsk-na- Amure, prove to be more "central" than the center, that is, they behave even more radically than the regional centers.

More will be said further on about the particular features of electoral behavior characteristic of each of the three main structural types of districts that have been distinguished, here, however, the emphasis needs to be put on the main consequence of the participation of the population of the regional centers in elections of organs of representative power, which is appreciably lower than for the region as a whole. This means **under-representation of the cities in general, primarily of the regional centers, in the newly elected regional parliaments.** Based on the results of the original elections, over **350** seats were unfilled, in other words, almost one out of every six seats remained vacant on average. Regional centers accounted for the lion's share of these vacancies (of the order of **320** seats or 85 percent). Some of them—

Petropavlovsk- Kamchatskiy, Novgorod, and Lipetsk—were not represented in the legislative assemblies at all, others—Astrakhan, Kursk, Murmansk, Novosibirsk, Nizhniy Novgorod, Orel—failed to man even half of the seats allotted them. Nor did the repeat elections, where they were held, help everywhere, and, what is most important, the dumas began to operate, determined their own political identity, took shape themselves, and shaped their own leadership under the conditions of the absence of many representatives of the main cities of the regions rightly considered leaders of sociopolitical development locally.

How to combat low turnout? Four different alternatives were, at a minimum, put to the test, together and separately, in the course of the regional elections:

The first was a **lowering of the plank,** the establishment of a minimum participation threshold and in a minimally strict form—in the form of participation in the elections, not in the voting, and, even less, not the proportion of valid ballots. In approximately half of all the regions the plank was, as already mentioned, set at the minimum possible level—25 percent participation in the elections—lower is simply indecent.

The second path, which was put to the test in St. Petersburg and not without a row, was the **extension of the elections themselves.** Truly, a second day produced in St. Petersburg the requisite several additional percentage points of participation, and the elections were valid in half the districts. Only could this experience be duplicated and could any regional head besides the lawyer A. Sobchak prove the legal competence of such a step?

The third alternative was **the attraction of the citizens to the polls with the aid of various enticements, primarily the harnessing of the legislative assembly elections with others:** gubernatorial, as in Irkutsk Oblast, and, even better, federal, as Astrakhan and Tula oblasts managed to do.

Finally, there is a fourth alternative also—to simply take no account of turnout. Despite all the seeming improbability of such an approach, instances of this did, as they say, occur. In Kirov Oblast, where Administration Chief V. Desyatnikov used his authority to deem valid the elections in the 44th and 46th districts of the oblast center, where the turnout had constituted 22-23 percent, justifying this by the fact that "the organization of repeat elections would cost a great deal of money" and also by the fact that "the turnout of the constituents of **the city of Kirov** (the city, but not of the corresponding districts—N.P.) was more than 25 percent." In Astrakhan Oblast, where the deputies of the assembly decided to approve amendments to the election regulations, in accordance with which candidates who had mustered a majority of the vote in districts in which the elections were deemed invalid on account of low turnout are to be recognized as deputies also.

We have considered only the relatively honest ways of combating low turnout, and documented, what is more. Reality, however, as may be surmised, was far richer. Let us take, for example, the elections to the Smolensk Oblast Duma. As far as low turnout is concerned, they may in a number of districts be considered to have taken place under the motto "If Mohammed will not go to the mountain, the mountain will go to Mohammed." The point being that in some districts the number of registered voters in March was shown to be appreciably lower than in January, when the list of districts was published. Thus in at least two districts—Territorial Electoral District-3 and Territorial Electoral District-9—the elections changed from being invalid to valid. Desnogorsk's Territorial Electoral District-15, which although it could not stretch the shortfall of 13 (!) votes up to the sacred 25 percent of valid ballots, it did everything it could for this, evidently: The number of constituents was shown to be 5,100 fewer than in January, and there was a record low number of spoiled ballots—two and three times fewer than for its neighbors.

Voting with the hands. So, albeit not in full flow, the voters did actually turn out in quite a substantial number on polling day. The most steadfast and politically active turned out, it has to be assumed, in order to distinctly express their will. Picked up ballot papers, filled them out, dropped them in the boxes. And it is here that we encounter the first surprise—**the inordinately high proportion in a significant number of regions of spoiled ballots.** This proportion amounts to 10 percent and even exceeds this value in some instances, in the city of Kurgan, for example. Time to sound the alarm, it might seem, but....even a cursory glance at the table of results of the December voting at the State Duma elections persuades us that we were encountering not so much malicious falsification as some indicator characterizing the electorate's difficulty of comprehension of the new form of ballot paper (we would recall that previously, at the 1989-1990 elections, it had been necessary to cross out the unwanted names, not mark the box opposite the requisite one). The electorate has not become accustomed to the innovations on the ballot paper—the proportion of spoiled ballots in 1993 and 1994 is very stable. There is great spatial variation here: Merely in the first 10 regions that we randomly took for analysis the fluctuations in the proportion of spoiled ballots are twofold—from 4.3 percent in Smolensk Oblast and 4.4 percent in Khabarovsk Kray to 8.4 percent in Tomsk Oblast.

Also very substantial are the intra-regional differences, which flat-out dispel, incidentally, the notion that the spoiling of the ballots testifies to insufficient literacy. The proportion of spoiled ballots was usually 10-30 percent higher in the regional center than in the region as a whole, in cities of oblast jurisdiction it was close to the average, and in the heartland—in the rayons—it was 10-20 percent below the average. There were exceptions, for that matter, in our relatively small sample here also: In Murmansk Oblast and Khabarovsk Kray, where the percentage of spoiled ballots was not that high even so, in the center it was even lower, and in the rayons, on the contrary, it was higher.

The law establishes the compulsory requirement of the **adversary character** of elections, that is, no fewer than two candidates in the districts. This requirement was observed everywhere, and two- candidate districts were, on the whole, relatively few, moreover. Arkhangelsk Oblast, where on 12 December 1993 six districts lacked the requisite number of candidates, and in one of these districts a pair of candidates could not be found by March either, what is more, was a special case. In neighboring Novgorod Oblast, in response to the concern displayed by a journalist at the fact that not a single candidate for deputy had yet (this was in February) been registered in Soletskiy District, A. Belyagovich, head of the rayon administration, assumed without false modesty that the rayon knew that he, the chief, was intending to run and that volunteers prepared to take on the chief had yet to be found. (Footnote 1) (NOVGORODSKIYE VEDOMOSTI No. 23, 12 February 1994.)

In the regions there were an average of three to five candidates per mandate. Everywhere in the regional centers the competition was higher by about 30-50 percent, and sometimes, as in Tula Oblast, for example, it was twofold even. As far as cities of regional jurisdiction and administrative rayons are concerned, the regions divide here into approximately two roughly equal groups. In one the cities are appreciably ahead of the rayons in terms of the number of candidates. This includes, for example, Altay Kray and Kemerovo, Smolensk, and Tula Oblasts. In the other, on the contrary, the rayons are ahead of the cities. This includes Vladimir, Kurgan, Nizhegorod, and Orenburg Oblasts, Khabarovsk Kray, and others.

The number of candidates per mandate does not provide a complete idea of the actual adversary character of the elections. It may be supplemented by two more parameters: **the total share of the votes cast for the winners and the overall gap between the best result in the districts and the one following it.** As far as the share of the votes cast in total for the winners is concerned, it fluctuates in our sample from **50.8 percent** (Kemerovo Oblast) to **31.6 percent** (Tula Oblast), constituting 35-40 percent on average. The separation of the winners, however, from those who came second in the districts constitutes 30-40 percent, that is, the winners amassed 1.3-1.4 times more votes than their nearest rivals. These are, understandably, average statistical indicators, and in specific districts the gap could have constituted hundredths of a percent (there are instances of a victory by just several votes in virtually every region) and could have been by a factor of 10 and more.

Speaking of the total share of the votes amassed by the winners, we computed it from the number of those who voted or, more precisely, from the number of valid ballots. Yet it is not without interest to compute this share from the overall number of registered voters either, that is, to take a look at the votes of the part of the electorate that is actually supporting the newly elected regional parliaments. The **electoral base of the regional dumas** calculated in this way fluctuates according to our sample from **6.9 percent** (Murmansk Oblast) to **17-20 percent** (Orel, Tula, Penza Oblasts), constituting thus a maximum one-fifth of the electorate of the regions.

An indicator even more interesting than those that have already been described would appear to be the **share of the votes against each candidate** reflecting the voters' general dissatisfaction with the candidates offered them. At the prompting of the circumspect Central Election Commission, this share was not considered in the majority of regions when the official results of the elections to the regional parliaments were tallied, just as it had not been taken into consideration earlier at the elections to the Federal Assembly. Which, however, by no means deprives the indicator of its immense information content. Thus the share of the votes against all constituted in the 10 regions that we surveyed **8-18 percent** and was, as a rule, lower by a factor of two to five than the total proportion of votes cast for the winner. In the rayons the level of negativism is always less, in the cities, however, it is frequently even more than in the regional center (Vladimir, Kemerovo, Kurgan, Orenburg, and Tula Oblasts).

The highest proportion of the votes against all of the above was recorded in Moscow, where it constituted 30.5 percent of the vote, which was higher than the proportion of the votes cast for the winner! Only in four instances out of 35 were the winners at the elections to the Moscow City Duma able to muster more votes than were cast against all candidates. It would be fair to assume, perhaps, that so high a negativism on the part of Muscovites was caused to some extent by the combination of the Moscow city elections and the all-Russia December elections, the consequence of which was not only a very high turnout but also the conversion in many instances of passive negativism into active negativism. In other regions the voters were simply not turning out for local elections, here they were turning out for the elections to the Federal Assembly and were simultaneously so active in expressing their attitude toward the city duma. Nonetheless, it remains a fact that over 1 million Muscovite constituents expressed their active rejection of the choice of candidates offered them and the city duma in general. The situation was rescued only by someone's timely display of circumspection, which compelled the removal from the regulations on elections in Moscow approved by Yeltsin of the clause concerning consideration of the votes against all of the above. Otherwise, we repeat, at the first attempt the Moscow Duma would have been formed only 10 percent.

Elasticity of the election results. Before turning to an analysis of the substantive results of the elections proper, let us ask: To what extent are they, these results, *elastic*—are they dependent on or, on the contrary, independent of the regulations governing the elections and to what extent did electoral law-making, particularly that running counter to general—written and unwritten—rules, influence the outcome of the elections.

Let us begin with the actual fact of realization of the elections. As we know, in Ulyanovsk Oblast the elections did not take place on time and were postponed indefinitely because the oblast court had deemed unconstitutional the so-called *administrative-territorial districts*. It subsequently surfaced that the impermissibility of such law-making violating the base principle of the equality of the electorate had been pointed out to the Ulyanovsk Administration chief by the Central Election Commission also. The directives of the latter are, for that matter, visibly of a recommendatory, not binding, nature, judging, for example, by the fact that flagrant violations similar to the Ulyanovsk violation, which was suspended at the last minute, occurred in a whole number of regions: Arkhangelsk, Tula, where the elections were held on 12 December 1993, and it was for this reason, perhaps, that the center did not have the time to keep an eye on everything, and Penza (30 January 1994). At the last moment and thanks to the endeavors of the representative of the president, not the Central Election Commission, as might have been expected, a similar flagrant violation of democratic norms was averted in Yaroslavl Oblast, where elections were held on 27 February 1994. The press office of the oblast administration, which is known for its reforming outlook and democratism, issued a special statement here. Providing an excellent idea both of the arguments of the parties and, on the whole, of the sociopolitical situation on the eve of the elections, this statement deserves to be quoted in full.

Statement of the Press Office of the Oblast Administration

In drafting the regulations on elections to the oblast duma the oblast administration made it its task to create an efficient legislative body thanks to the territorial representation of the deputies. From our viewpoint, the presence here of one deputy per city and rayon would permit consideration of the viewpoint and interests of the electorate of the entire oblast, securing the future duma against political intrigues, factional struggle, and individual ambitions. The territorial principle has at the first stage already justified itself in the activity of the Federal Assembly of Russia—it is obvious that the Federation Council, which is formed according to this principle, is more constructive than the Duma, where selfish party interests, far removed from state interests, predominate.

The regulations on the oblast elections were supported by all cities and rayons of the oblast and were evaluated positively both in the Office of the President and in the Central Election Commission. In addition, elections in accordance with the territorial principle have already been held in certain oblasts of Russia. Having studied our regulations on elections to the oblast duma, S.A. Filatov, chief of staff of the President's Office, proposed the preparation of a presidential edict on the corresponding experiment on the territory of Yaroslavl Oblast, which would have imparted a certain status to the elections.

But V.G. Varukhin, representative of the president, emphatically disagreed with the regulations on elections, stating his intention to contest the decision of the oblast commission and the oblast governor as far as the Constitutional Court. His main argument is that the districts should be equal in size, as recommended in the presidential edict. Were we to abide by this recommendation—it should be emphasized that this is a recommendation, not a strict rule—it would be necessary to unite in one district several rayons for the election of one deputy. Naturally, the principle of territorial representation would be violated here since one deputy would act for three or four rayons of the oblast. In addition, this would lead to the virtually absolute preponderance in the duma of city deputies and to the practically total absence of rural deputies.

Not sharing this position in principle, but unwilling to be dragged into litigation with the representative of the president, the oblast administration will make revisions to the regulations on elections to the oblast *duma, uniting rayons of the oblast in single-mandate districts.*

The administration believes that in this case the responsibility for infringement of the interests of the population of rayons of the oblast and also for the preparation, realization, and the results of the elections is borne by V.G. Varukhin, representative of the president, also.

Provoking a conflict situation yet again, the representative of the president is once again demonstrating a manifest reluctance to resolve problems arising on the territory of the oblast in a constructive dialogue with the administration. (Footnote 2) (SEVERNYY KRAY, 19 January 1994.)

So were the problem of the equal rights of the constituents and, accordingly, of the approximate equality of the districts to be approached with unified requirements of all regions, the elections in Arkhangelsk, Tula, and Penza Oblasts, where the departures in the size of the districts amount to 5,054, 1,479, and 380 percent, would have to be canceled, the carving out of the districts in Tyumen and Murmansk Oblasts revised appreciably, and the format of the districts changed in a large part of the other regions.

Two different threshold values of the level of participation of the constituents was employed, as a rule, for recognition of the elections in the regions as valid: turnout—the receipt of ballots from no fewer than 25 percent of the total number of registered voters—and the actual positive expression of will—the existence of valid ballots in a quantity of not less than 25 percent of the number of registered voters. In Chuvashia, Irkutsk, and Tambov Oblasts the voter-turnout threshold is fixed at 35 percent, and in Ulyanovsk Oblast, where the elections were not, as we know, held, provision is made for a 50 percent threshold.

It is hard to say what would have happened in Ulyanovsk Oblast were so strict a provision to have been in operation there, but for the regions in which the elections were held a 50 percent threshold would have left them valid only in a very few rural rayons from the ranks of the most remote. Thus, for example, in Ivanovo and Leningrad Oblasts and in Khabarovsk Kray the elections would not have been valid in a single district, and in Vladimir and Vologda Oblasts only one district in each would have proved successful. In Perm Oblast, four out of 40, in Tambov, five out of 15, in Smolensk, seven out of 27, in Altay Kray, 17 out of 50, and in Voronezh Oblast, where the record turnout, evidently—86.5 percent—was recorded in one district, elections would have been valid in 20 districts out of 45, and of all the 15 regions that we took at random, only in Penza Oblast would the proportion of successful districts have exceeded one-half (24 out of 37).

Even the simple transition to consideration only of valid ballots in place of gross participation would have added a further five districts to the 11 districts of the city of Orel in which the elections were invalid (they would thus have been valid only in three districts out of 19). In Perm Oblast, were elections were in terms of turnout invalid in three districts, the consideration merely of valid ballots would have added a further eight districts. In Voronezh Oblast, on the other hand, where the elections were valid in nine districts, a transition from valid ballots to turnout would have produced a further three filled deputy's seats.

Nowhere other than in Chuvashia was use made of the norm of the individual minimum of votes necessary for victory. Such a norm, had it been adopted in the Chuvash version (25 percent of the number of constituents, that is, an absolute majority of the votes with a 50 percent turnout), would have made vacant the vast majority of the seats occupied at the local elections: Vladimir and Ivanovo Oblasts and Khabarovsk Kray, no one even comes close; Perm, one out of 36, Smolensk, two out of 25, and Altay Kray, seven out of 41; and the Penza people once again have the highest result—20 out of 45. Which does not, however, detract from the significance of the criterion as such.

Under conditions where the turnout threshold is set at the low minimum as it is and could hardly be lowered in the future it would worthwhile, most likely, giving thought to the use of the individual norm of the votes combined with turnout of the semi-passing grade type. With a participation of 20-25 percent, say, candidates whose separation from their nearest rival is greater than the shortfall in votes (or valid ballots) necessary for reaching the requisite 25 percent norm could be deemed elected. The logic here is simple: If an increase in the number of those who voted to the requisite 25 percent threshold in any ballot procedure could in no way shake the lead of one candidate, why should the elections in this district not be deemed valid, and the candidate himself, to have won them?

Let us investigate what has been proposed in specific examples where in the districts in which the elections were not valid the lead of one candidate is absolutely elastic in relation to an increase in turnout in proportions sufficient for the elections to be deemed valid:

District No. 28 of Novosibirsk Oblast. There is a shortfall of 399 valid ballots for the elections to be deemed valid. The gap between the leader and the candidate in second place constitutes 540 votes. The leader's reserve of strength is thus perfectly sufficient for winning, even if all 399 deficient ballots were to be cast for the most successful of his rivals. Consequently, the deficient votes would decide nothing and even theoretically could change absolutely nothing in the personal distribution. A similar situation is observed also in the Novosibirsk Territorial Electoral District-35, where, with a shortfall of only 340 votes to the sacred 25 percent, the separation of the leader from his closest rival constitutes 2,154 votes. This means that even were all the additional votes of the constituents to be cast in favor merely of this sole rival, he could not, all the same, catch up with the leader until 29.7 percent of the constituents had voted! Why not in this case, one wonders, confer victory on the strongest?

Nizhegorod Oblast, District No. 9. Leader V. Moiseyev mustered 7,779 votes or 51.7 percent of all valid votes in the district. The latter, however, came to only 22.9 percent instead of the 25 percent required by law. The reserve of the leader, who obtained the support of 11.9 percent of all constituents of the district, which is very low, and who had pulled ahead of his nearest rival by more than 5,500 votes, would have been more than sufficient for victory with a 30 percent turnout, even were all the deficient voters here to have cast their votes, to a man, for his closest rival. In two further Nizhegorod districts—No. 11 and No. 12—the advantage of the leaders was appreciably greater than the shortfall of votes necessary for the sacred 25 percent.

In two of the nine districts where the elections were not valid in Voronezh Oblast the separation of the leaders would also have guaranteed them victory irrespective of the position of the 1,500- 2,000 voters shy of the 25 percent.

Whereas the threshold of participation and even the not all that significant gap between 25 percent participation and the 25 percent quantity of valid ballots were reflected in highly material fashion, as we have satisfied ourselves that they did, in the success of the elections in the majority of regions, the proportion of votes cast *against all candidates* had virtually no effect on the success of the elections. In addition, in the three regions where the votes against all of the above were not taken into consideration, they would not, with the rare exception, have "performed" even if they had been. Among the exceptions, the leader is undoubtedly Moscow, where at the elections to the city duma only in four districts did the winner managed to exceed the number of votes against all of the above. In Moscow **negativism** is a consequence of the artificially high participation of the citizens in the voting. What, though, can we say about Murmansk Oblast, where, with a record low turnout of the electorate—20 percent—one out of every three of the just 13 elected deputies would have "fallen" in the event of the votes against all of the above having been considered. The Kurgan Duma would be two deputies short, and Vladimir and Irkutsk, one each. In the majority of regions, though, the proportion of votes against all of the above does not even come close to the results of the winner, matching the proportion of the second or third and even the fourth or fifth candidate, as in Tomsk Oblast, for example.

Parties at the elections. This subject evokes particular interest. Because, first, in December 1993 voting by party slate and election association was employed for the first time since 1917. Because, second, the leaders of the Communist Party of the Russian Federation and the agrarians have repeatedly announced their victories at the local elections and control of the majority of regional parliaments.

The 1994 election campaigns showed that, contrary to the ideas contained in electoral law and the generous advances of money to tadpole-proto-parties, **the elections to the Federal Assembly did not signify the formation of real all-Russia political parties and did not contribute to the preservation and structuring of a single political space of Russia.** As a whole, if we judge by the nomination of candidates in the regions, the proportion of "party men" constitutes roughly from one-tenth to one-fifth, rarely reaching, as in Voronezh, say, one-fourth. Thus in Ivanovo Oblast only nine of the 114 candidates were nominated by parties and election associations, and none of these became a deputy, what is more, in Vladimir Oblast this ratio was 14 (one elected):107, in Irkutsk, 26 (3):179, in Kurgan, 18 (4):92, and in Voronezh Oblast, 77 (4):296. In all the instances listed the *survival factor* among party candidates, that is, the proportion of those who became deputies, is lower than for the corps of candidates as a whole. The reason for the latter, though, consists not only of the low competitiveness of the party members but also of the fact that the majority of them came from districts of the regional center, where, as we know, the proportion of invalid elections was high. Kaluga Oblast is a special case—59 party nominees out of 161 candidates, and 24 out of the 39 seats in the legislative assembly occupied at the first attempt.

The party distributions at the elections in the regions are very diverse, the composition of the parties is patchwork, and there are many of them. Local, not all-Russia, parties and some narrow branch structures constitute the majority, as a rule. Let us turn to the example of Voronezh, which has just about the largest party representation. Seventy-seven party candidates from 17 parties and election associations were registered there, and the latter included not only political structures proper, be they members of the "big parliamentary eight" **(Com-**

munist Party of the Russian Federation, Liberal Democratic Party of Russia) or others (**Economic Freedom Party, Free Russia People's Party**), but also some purely corporate associations: *Afghan War Invalids Fund, Union of Officers of the Reserve, Soldiers' Mothers of Russia, and Youth League* or even *Occupational Safety Specialists Association and Russian Electronic Industry Workers Union.*

The five leaders—all local—account for 70 percent of all nominees (54 out of 77):

Peter I—19 candidates (one deputy), **21,802** votes (2.7 percent);

Voronezh—13 (-), **25,319** (3.1 percent);

Working Voronezh—nine (one), **10,289** (1.4 percent);

Oblast Council of Youth Organizations—seven (-), **2,294** (0.3 percent);

Russian Voter—six (-), **3,309** (0.4 percent).

All four all-Russia political parties put together are appreciably inferior to the leader—the Peter I association—both in terms of number of nominees and in terms of the sum total of votes— 10 (one), **14,408,** although the result shown by the Communist Party of the Russian Federation is not at all bad: four (one), **11,439.** The situation that has been described permits a conclusion concerning **the fragmented nature of the Russian political space and the absence of a serious base in the regions even for the most influential Russian political parties.** Standing out somewhat from the common herd are the communists and the agrarians, and their strength is residual, rather, waning with the disintegration of the local component of the organizational infrastructure of the CPSU that has still been preserved. The practically total absence of party factions from the newly elected regional parliaments might also serve as an additional argument testifying to the insufficient expression of party-political differentiation in society as a base differentiation.

The activity of the parties and election associations is confined to a considerable extent to the oblast center: Of the 77 nominated candidates, 17 districts of the city of Voronezh account for 59, and the remaining 28 districts, for only 18, and of these 18, nine are people of Voronezh, what is more. Of the 118 candidates for the 28 non-Voronezh districts altogether, 18 inhabitants of the oblast center were nominated for the legislative assembly, three of whom were elected to the legislative assembly.

Kaluga Oblast, which is not in the least inferior to Voronezh Oblast in terms of the degree of "party character" of the elections, may serve as an example of an entirely different kind. Fifty-nine party nominees per 161 candidates, 24 out of 39 deputy's chairs! Here the elections were conducted under the absolute domination of the **Agrarian Party,** which put forward 21 candidates and got 13 of them elected deputy. The agrarians in Kaluga were represented not only by leaders of kolkhozes, meat-packing plants, and dairy plants but also by the heads of the rayon administrations and even the first deputy chief of the oblast administration. In second place in terms of the number of candidates nominated and deputy's mandates obtained was the *City of Kaluga and Kaluga Oblast Voters Club,* nine (four), and in third place, *Russia's Choice,* six (three). The *Kaluga "Region" Association of Industrialists and Entrepreneurs,* five (one), completed the ranks of the four leaders. The 10 remaining parties and associations, local, in the main, accounted altogether for 18 candidates and three seats in the legislative assembly.

Veterans' (of Afghanistan, labor, the armed forces), women's, Cossack, and youth organizations are, usually, extensively represented in the country as a whole. The *Working Region* (Kurgan, Nizhniy Novgorod, and so forth) figures on the list of candidates in many places. Something national-patriotic is necessarily present also: *Pamyat, Motherland, People, Power of the People, Slav World, Vladimir-Suzdal Rus, Popular Assembly,* and so forth. Of the all-Russia parties that are encountered most often, although only a little at a time, as a rule, mention should be made also of **the Party of Russian Unity and Accord, the Union of Industrialists and Entrepreneurs, the Russian Communist Workers Party, the Social Democratic Party of Russia, the Democratic Party of Russia, the Russian Democratic Reform Movement, Democratic Russia, and the Russian National Union.**

The composition of the nominees from the parties is interesting material for analysis. True, the material for collation is not that great, and it needs to be approached with certain reservations: The nominees reflect not only the social base of the party and its activists but also, to a certain extent, election strategy built with regard to the mood of the electorate. In addition, many candidates from the ranks of the strongest, the administration chiefs, deliberately avoided strict definition and specificity in their political image. Rightly afraid of repelling part of the electorate by unambiguously associating themselves in the eyes of the voters with this specific political structure or the other, they portrayed a certain supra-party character and formally operated as independents.

So, what do we have? What is the appearance of the parties in the mirror of those to whom they entrust representation of themselves in the regional parliaments?

CPRF [Communist Party of the Russian Federation]—they are middle-tier managers and practical experts: of the geological party, construction and installation administrations, and the plant shop; they are higher educational institution professors, more of the natural science and engineering, not liberal arts, sphere, what is more; they are, finally, "yesterday's men"—employees of the administrative machinery of the soviets, including those "temporarily unemployed" also. There are workers also, although infrequently.

LDPR [Liberal Democratic Party of Russia]—they are, as a rule, small-time office workers and engineering-technical personnel, 30- to 40-year-olds temporarily unemployed, and full-time party workers.

The **Agrarian Party** is represented mainly by directors—chairmen of agricultural enterprises, directors of processing plants, leaders of agricultural chemical plants, agricultural construction units, and other infrastructural subdivisions, and rayon administration chiefs.

Russia's Choice—they are primarily professionals from the news media and higher educational institutions and entrepreneurs and new economic officialdom; leaders of antitrust agencies and economic reform committees, and sometimes representatives of the president and their assistants, and at least one worker has been recorded.

The **Union of Industrialists and Entrepreneurs** and its regional association affiliates—they are not only directors and general directors and presidents and vice presidents of large industrial enterprises, they are also managers of power engineering, construction, and other "service" industries, research institute directors, higher educational institution deans and assistant deans, top government officials of the chairman of an administration of assets committee type, and plant union leaders, and entrepreneurs are encountered also, but rarely.

Nominations are not the sole indicator of parties' presence in the political arena, there is also both the candidates' indication of their party affiliation and the participation of party activists in the elections. We shall explain this with a simple example: Of the 104 registered candidates in Belgorod Oblast (five candidates subsequently withdrew their nominations, and by the time of the actual elections there remained 99), 14 persons were nominated by election associations, five, by the oblast Council of Trade Unions, seven, by the oblast branch of the CPRF, and two, by the oblast branch of the LDPR. The remaining 76 persons were nominated by groups of constituents. Party affiliation, however, was indicated by the candidates as follows: CPRF, 13 persons, LDPR, three persons, the Agrarian Party, the Democratic Party of Russia, and Democratic Russia, one person each. Eighty-five candidates reported themselves to be nonparty. (Footnote 3) (BELGORODSKAYA PRAVDA, 19 March 1994.) As far as the party activists are concerned, in Ivanovo Oblast, say, where the communists participated in the nomination of just one candidate, three of their party functionaries took part in the elections: a member of the presidium of the oblast CPRF organization, the secretary of the Ivanovo city committee, and the first secretary of the Shuyskiy city committee, and the last one mentioned won the elections even. Unfortunately, the information both on party affiliation and the positions occupied by the candidates in the party hierarchy, not full-time, as a rule, is very fragmentary.

Analyzing the role of the parties at the elections, attention has to be given to Saratov Oblast—the only one where the parties took part in the elections not only via specific candidates in the territorial districts but also directly. We recall that of the 35 seats in the Saratov Duma, 10 were contended for by the parties in terms of an oblast-wide electoral district. Nine election blocs and associations, which nominated 129 candidates altogether, laid claim to these 10 seats. Three main forces emerged the winners: *the Agrarian Party, the Union of Officers of the Reserve association, and the For the Power of the People bloc,* which distributed subsequently among themselves the office of chairman of the Duma and his two deputies. Based on the election results, incidentally, which made the Duma exactly one-half a "party" duma, *Power of the People* obtained three seats by slate plus one by territorial district, the *Union of Officers* got three candidates elected in territorial districts, and two candidates were elected by territorial electoral district by the *Yavlinskiy bloc* and one by *Democratic Russia*), the oblast administration had to make adjustments to the provisional regulations governing the Duma. It was established, first, that the chairman shall be elected by simple majority, not a necessary majority, as was required earlier, and, second, that he shall have deputies, not just one deputy.

All three Duma leaders were elected deputies by party slate. A. Kharitonov *(Agrarian Party),* former first deputy chairman of the oblast soviet, and for the past several months, chairman of the Provisional Committee for Reform of the Representative Organs of Power, was elected chairman. Relatively young, 42 years of age, his career had to this point progressed from engineer of a rayon Selkhoztekhnika to manager and secretary of the CPSU rayon committee and subsequently manager of the Russian Grain Exchange. His deputies are V.

Volodin *(Union of Officers of the Reserve)*, the 30-year-old head of a department of the Agricultural Mechanization Institute, who from June 1992 through October 1993 had held the positions of administrative officer and deputy chief of the administration of the city of Saratov, and V. Rashkin *(For the Power of the People)*, the 39-year-old leader of the oblast CPRF organization, who had been a plant engineer and a former deputy of the city soviet.

What the new representative authority represents. The final indicator of the efficiency and perfection of the electoral system and its applicability to a given society is not so much its conformity even to some universal canons (far from everything is as it should be here, alas, in the Russian regions, as the foregoing analysis has shown) as the election results themselves and, primarily, the personal composition of the elect. Let us take, for example, the 1989 elections, when an at first sight fearfully undemocratic provision, in accordance with which one-third of the seats were farmed out to "public organizations," produced a splendid result. Understandably, though, if elections, like any seeding mechanism, are a kind of sieve, the siftings, that is, what we obtain at the end, speak not only about the sieve itself but also about what is being sifted, about the material at the beginning, also.

The social and occupational composition of the new regional parliaments is particularly interesting. Why? The former **representation model:** Authorities (ex officio) and a Noah's Ark for balance—women, workers, kolkhoz members, and so forth—long since became a thing of the past. The "perestroyka" wave with the artistic intelligentsia, dissidents, windbags, and mass-meeting democrats did not especially affect the heartland. Although in 1990 activists of groups and teams formed for candidates for people's deputy of the RSFSR did, in fact, get elected to certain regional soviets.

What, though, is the present model of representation? Let us begin with the fact that women in the regional parliaments are at the minimum—barely 10 percent. In some regions, and these include not only the "male" oil and gas Yamal Nenets and Khanty-Mansi Okrugs, which in December, incidentally, voted very actively for Women of Russia, but also St. Petersburg, and Vologda, Lipetsk, Omsk, Ryazan, Samara, and even Ivanovo (!) Oblasts, there are no women in the legislative assemblies at all. We would observe in passing that the few women who did manage to get elected deputies are in great demand when the leadership of the dumas is being formed, particularly as deputy chairmen or leaders of committees dealing with social issues. The low representation of women in the organs of representative power of the regions is a double-edged sword. On the one hand this is testimony to the low participation of women in regional political life. On the other, the proportion of women, not artificially raised in comparison with the low natural proportion, testifies to the considerable independence of the elections and the low manageability, predetermination, and absence of manipulation from above at the time of the formation of the regional parliaments. We would recall that at our first relatively democratic elections of 1989 it was the proportion of women that proved to be the ideal indicator of the undue regulation of the elections from above and of the bureaucratic selection of candidates.

The structure of the new corps of deputies may be considered on three main grounds: **territorial-hierarchical, social-hierarchical, and professional-corporate.**

Territorial-hierarchical structure. In most general form this means division into (1) regional centers, (2) cities of regional jurisdiction, (3) administrative rayons with a rural population, in the main. The contrasts between these three settlement-hierarchical types are very substantial. We made a calculation based on the data of 14 randomly selected regions, highly diverse in all respects: Altay and Khabarovsk Krays and Vladimir, Kemerovo, Kurgan, Murmansk, Nizhegorod, Orenburg, Orel, Penza, Perm, Smolensk, Tomsk, and Tula Oblasts. Based on the results of the analysis, we obtained the following picture. The share of the regional centers constitutes: in terms of the number of constituents, **31.4 percent,** in terms of the number of seats allocated in the regional parliaments, **27.9 percent,** in terms of participation in the elections, **23.5 percent,** and in terms of the number of seats filled, **22.3 percent.** The share of the cities of regional jurisdiction is, respectively, **29.2 percent** in terms of constituents, **24 percent** in terms of seats allocated, **26.8 percent** in terms of participation, and **25.2 percent** in terms of seats obtained. The share of the rayons, as distinct from the two previous types, grows consistently as we progress from the size of the electorate to the number of mandates obtained: **39.4 percent** of constituents, **48.1 percent** of allocated seats, **49.7 percent** of participation, and **52.5 percent** (!) of seats occupied. Thus we may speak about a **decline in the actual proportion of political influence of the large-city electorate with more developed democratic precepts and about a growth of the actual influence of the more inert and more easily controlled and manipulated rural and small-town population and about the progressing ruralization of Russian political life.**

The social-hierarchical structure may in most general form be considered in the form of the "chief—middle-tier manager— subordinate" triad. If the composition of the newly elected organs of representative power is viewed from this angle, the **regional parliaments of the 1994 model,** it turns out, **are parliaments of chiefs.** Chiefs of everything: the territories (administrations) and the most diverse offices, plants and kolkhozes, medical institutions, and schools. Based on the data on the composition of the legislative assemblies of the regions for May 1994, industry was represented by **10.7 percent** of all seats. Enterprise managers and directors accounted for **7.9 percent** of them or three-fourths of the total number, and subdivision managers constituted a further **1.5 percent**—one-seventh. Workers account for only **0.8 percent** (11 persons out of 1,339!), and the engineering-technical rank and file, for a perfectly miserable **0.3 percent.** Nor is the situation any better in agriculture: There are for 217 deputies (**16.2 percent** of their total) 34 leaders of the rayon and oblast tiers, 134 managers of agricultural enterprises, only three ordinary kolkhoz members, and six farmers. In the parliamentary detachment of education employees there are three directors per teacher, and of health care, two chief physicians per doctor. The situation is somewhat better with the news media, where chiefs and nonchiefs are one for one, and quite all right as regards the research institutes and higher educational institutions, where deans and directors constitute less than one-third.

The **professional-corporate structure** of the newly elected parliaments is of very great significance, for in the absence of some in any way structured parties it is this that serves as the main structure-forming basis.

First place in terms of representation in the legislative assemblies undoubtedly belongs to **officialdom.** Representatives of state authorities of various levels constitute over one-third of the corps of deputies! Within this most populous "machinery of state faction" precedence is undoubtedly taken by the rayon administration chiefs constituting almost one-fifth of all deputies. There are even more of them in some regions, in Voronezh, Kursk, and Nizhegorod Oblasts, for example, where the chiefs obtained no fewer than half of all mandates.

In republics where the soviets have not, as in the majority of krays and oblasts, terminated their activity, thus maintaining an affiliation *to the power party,* their leaders also are very abundantly represented in the regional parliaments—they constitute one out of every 10 members of parliament. In the oblasts and krays, the proportion of figures of the soviets is appreciably less—**2.2 percent**—but, first, some of them in the regions where the soviets were officially dissolved were elected in the "temporarily unemployed" column and, second, the election of former oblast soviet chairmen in 22 new regional parliaments is known for a fact, and in 11 instances with subsequent occupation of the chairman's chair, what is more—what is important is not the number but know-how. As for the artificially low, if judged by the position indicated, proportion of **soviet leaders,** some light may be shed here by the data on the candidates in the Ivanovo Legislative Assembly. More detailed than usual, they contain information on the main landmarks in the career of the competitors for the deputy's mandate. According to this information, at a minimum, one out of every four of the 114 Ivanovo candidates has deputyship to his credit. Sixteen of them are former deputies of the oblast soviet, and three, what is more, including V. Tikhomirov, former chairman of the oblast soviet, now chairman of the legislative assembly, were elected to the new parliament, a further four were former deputies of the Ivanovo City Soviet, five were chairmen of the soviets of other cities and rayons of the oblast (of these, only two are represented in this capacity, one was elected as "temporarily unemployed," one, as a rank-and-file engineering- technical worker, and one, as deputy director of a limited-liability company), one is a former deputy of the RSFSR Supreme Soviet, and two are former people's deputies of the USSR.

An orientation toward law-making work is practically untraceable in the social and occupational structure of the dumas (specifically, the proportion of professional lawyers is exceptionally small, and these are mainly from the law enforcement authorities), the orientation is more toward purely ex officio soviet representation. It is still too early, evidently, to speak of the dismantling of soviet power in the regions. It is rather the unfolding separation of powers that has been dismantled, and one screen called the soviets has been replaced by another, less populous, although hardly more efficient, screen.

For an understanding of the essence of the elections, the composition of those not elected, left outside, is no less important than the composition of the elected corps of deputies. We made a comparative analysis of the professional-corporate structure of the candidates and deputies in six regions. The regions, in respect to which all the necessary information was available, were selected at random. They differ considerably in terms of their electoral behavior. They are Vladimir, Voronezh, Ivanovo, Irkutsk, Kurgan, and Lipetsk Oblasts. Their total share of the corps of candidates and deputies is of the order of 10-15 percent, so the sample may be considered relatively representative in both qualitative and quantitative composition.

What did the analysis show? The highest survival factors and the least losses upon the transition from candidate to deputy were observed among the **representatives of the authorities**—the executive and the old representative, soviet, authorities. Particularly in the middle tier, corresponding to the district level, in which the elimination was minimal. Here are specific results: In Voronezh Oblast 18 chiefs and three assistants represented among the candidates 21 cities and rayons (not counting Voronezh itself), winning at the elections in two cases out of every three, that is, having "shrunk" only to the extent of one-third (against an oblast average elimination more than five times higher), 12 chiefs and two assistants representing 14 rayons becoming deputies. In Lipetsk Oblast we find among the candidates six chiefs and 11 assistants from 13 rayons, among the deputies, four chiefs and six assistants from 10 rayons. In Kurgan Oblast five out of the eight chief candidates survived, of the 13 assistants, not one. In Vladimir Oblast the elimination was even greater: Of the six chiefs, two were left, of the four assistants, none. Yes, the No. 1 persons of city and rayon administrations sustained defeats also, especially since in a number of cases they were competing with one another, involuntarily included, when a district incorporated, say, several administrative rayons. Sometimes, as in Vladimir Oblast, for example, these defeats were of a total nature. But, on the whole, the combination of the ideas of "fair" rayon representation and the great possibilities of the local leaders led to the already large— of the order of one-tenth—proportion of the leadership of the rayons among the candidates swelling to almost one-third among the deputies.

Of the economic leaders, the best position was enjoyed by the **kolkhoz-sovkhoz chairmen** (increase from 6.7 to 10 percent) and the **leaders of major industrial enterprises** (increase from 5.4 to 8 percent)—it is with them, as in the olden days, that both the money and the power are now concentrated.

The situation as regards the employee rank and file was practically everywhere worse than for the leaders, **rank-and-file government officials** included. The proportion of the latter upon the transition from candidates to deputies declined from 8.7 percent to 7.2 percent. **Physicians,** who performed far better than their superiors, and **teachers,** who, as distinct from their directors, lost none of their share, constituted the exception. And **engineering-technical personnel** and **workers,** very small in number among the candidates (36 persons), did not make it as far as deputy at all.

All the representatives of the production and maintenance sphere lost, except for the industrialist directors and the agrarian specialist-chairmen. Particular losses were sustained, which is typical, by **the full-time leaders of political parties, trade unions, and other public organizations**—yet further evidence on the one hand of **the insufficient development of the civil society and the absence in it of informal, ideas-based leaders, non-power- wielding professional politicians, and a developed and influential independent political sphere as a whole and, on the other, of the auxiliary role of full-time party apparatchiks and the involvement of all leaders enjoying authority in state administration and economic and other specific activity.** Big losses were incurred also by various marginals—**persons temporarily unemployed** and **"sundry others"** not fitting a single main clearly defined social role.

Russian Society and the Regional Elections

What main conclusions ensue from the campaign for the elections of organs of representative power in the regions and what lessons should society learn from it?

1. The semi-soft revolution in Russian society passed without, by and large, actually having affected the regional authorities. It had still not reached them in 1990—the main battles were unfolding at the republic level. In 1991, after the putsch, certain personnel shifts occurred in the top echelon of the regions, which altered little, however, in the picture as a whole, and in some regions altogether won back lost positions as a result of "creeping revanche." In 1994 the revolutionary stage in the life of the ruling elites was **already** over.

2. The "reform of the representative authority locally" was organized and undertaken by the soviets (in many regions), the soviets in conjunction with the administration, and by the administration alone. The official handover of the authority of the soviets to the newly elected regional parliaments and the direct legal succession of the latter to the first occurred in many regions. In Novosibirsk Oblast this succession was reflected in the name of the organ of representative power—the oblast soviet of deputies—and in a number of other instances similar appellations were not adopted largely on account of pure political opportunism. We should thus speak not so much of a "dismantling of soviet power" in the regions as of its return at the new twist of the spiral to some pre-perestroyka subordinate-decorative state, about **neo- sovietization.** In England the monarch reigns, but does not rule, in Russia, on the other hand, as in the olden days, the decorative functions are reserved to the new regional parliaments. Though this is true in respect to the majority, but not of all regions—take Kuzbass, for example, where the role of Tuleyev's legislative assembly in opposition to the administration is very considerable.

3. With the dissolution of the soviets and the formation of new organs of representative power in the regions the conflict between the two branches of power was removed, for a time, at least. Unfortunately, this did not occur as the result of the appearance of a precise mechanism of interaction of the branches and the harmonization of their relations but as the result of the dismantling,

essentially, of the separation of powers itself. On a national scale there was a breakup of one of the two main vertical lines—*representative* (Supreme Soviet—oblast soviet—city soviet/rayon soviet—rural soviet)—and an appreciable weakening of the second—*executive*—at the expense of a sharp increase in the importance of its henceforward totally unbalanced regional component.

4. The considerable strengthening of the positions of the heads of the executive authorities in the regions and the establishment of sole responsibility reflect the situation at the level of the leadership of the country as a whole. The regional parliaments also were carved out in the image and likeness of the Federal Assembly. Up to and including the outright copying of the bicameral structure in the majority of republics and even the attempts at such in the oblasts (Ulyanovsk Oblast). The unicameral oblast dumas also may be seen as the result of a combination of two basic principles of federal representation: from the territories (the Federation Council) and from the population (the State Duma). The aspiration of the administration chiefs to rayon representation to the detriment of the representation of the citizens was distinctly expressed in many regions.

5. The subordinate, extremely dependent position of the regional parliaments in relation to the governors is determined not only by the meager collection of their powers but also by their property and general-maintenance dependence, extreme lack of numbers—both of themselves and of their administrative bureaucracy—and the absence of drive belts and mechanisms of direct interaction with the populace and also by the more than abundant representation in the corps of deputies of the "governor's teams"—appointees and persons directly subordinate to the governor from the ranks of rayon administration chiefs, primarily. The latter has a reverse side also, for that matter: Just as the governors, being elected to the Federation Council, have become less dependent on the president who appointed them, so the city and rayon administration chiefs whom they appointed, being elected to the legislative assemblies, are becoming more independent.

6. The role of parties, all-Russia particularly, in the contemporary political distribution is minimal and, to a considerable extent, secondary—**not leaders from parties but parties adapted to leaders.** Just four political forces of the federal level: *the communists, the agrarians, the LDPR-ites, and Democratic Russia together with Russia's Choice,* were represented more or less universally in the corps of candidates, if not deputies.

7. A two-party system has essentially taken shape in today's Russia: **the power party and the party of those straining after power** (the political and ideological nuances of the latter recede into the background). In the regions there is altogether just the power party with struggle and intrigues that are internal, in the main, not external. The direct executive authority in the person of the top leaders of various levels and other government officials has acquired (taken for itself) seats in the organs of representative power such as no party-state nomenklatura ever had.

8. The process of the wresting of power away from the citizens and the new pupation of the elite and its conversion once again into some exclusive caste is practically complete. Considering the present high and continually growing level of political apathy of the populace, there may be no doubt that today's elites are here in earnest and to stay.

9. The most diverse electoral systems, mechanisms, and procedures were put to the test in the course of the regional elections. The elections demonstrated a misunderstanding and sometimes a total disregard for the procedures of real government by the people both above, on the part of the authorities, and below, on the part of the citizens. In the few instances where some attention was called to the violations, this was sufficient for averting them, even in such seemingly hopeless situations as in Ulyanovsk Oblast, for example. In the majority of instances, however, the administrations of the regions and their chiefs operated under the conditions of license and the almost total absence of control on the part both of society and the federal authorities, from the Federal Assembly and the Office of the President through the Central Election Commission.

10. The center "slept through" the regional elections. As far as the people are concerned, they also, as before, reacted to the local elections as secondary compared with the all-Russia elections, paying absolutely no heed to the fact that the role and significance of the regional component in the Russian political space have objectively grown—both as a whole and for each individual deputy of a regional assembly. Whence also the shockingly low turnout of the electorate at the polls—the result of the separation of the federal and local elections under the conditions of the electorate's traditionally weak trust in the regional representative authority as such. The effect, though, of a combination of federal and regional elections where this occurred could also have been the same as in Moscow, where the aggregate mandate of trust of the duma proved far lower than the number of votes cast against all candidates.

11. In many cities, regional centers particularly, voter turnout was so low that the elections were invalid even with such an artificially low permissible threshold of

25 percent. Consequently, the capitals proved to be under-represented or not even represented at all in the regional parliaments. Thus the capitals and the city no longer lead the periphery, and there is a further growth of the political share and influence of the countryside—more inert, conservative, and manageable. There is evidence of the **ruralization of Russian political life** and the conversion of Russia politically into an increasingly peasant country—in terms both of the overall influence of the electorate and of its representation in the legislative assemblies.

12. In the fall of 1994 even, at the postponed elections and supplemental elections, the situation had changed appreciably, as a result also, it has to be assumed, of the townspeople-citizens' recognition, finally, that legislative assemblies in the regions are necessary, just as "their" representatives in them are needed also. Necessary primarily in order if only somehow to confront the arbitrary action of the executive authorities. There was an increased turnout (except in the Far East) in the majority of regions, there was a sharp stimulation of local parties and election associations, and political leaders from Moscow began to take an active part in the local elections also. The greatest such activity among Moscow politicians was demonstrated by V. Zhirinovskiy, G. Zyuganov, G. Yavlinskiy, Ye. Gaydar, and B. Fedorov. Whether this is the start of a serious turnabout of "big politics" toward the regions or a purely tactical move connected with preparations for the upcoming parliamentary and presidential elections, the very near future will tell.

Economic Issues

*Chernomyrdin-Signed Decree on Confirming Import Tariff Rates

954E1021A Moscow ROSSIYSKAYA GAZETA in Russian 26 May 95 p 4

[Decree: "Decree of the Government of the Russian Federation, 6 May 1995, No. 454, Moscow, 'Confirmation of the Rates of Import Customs Duties"]

[FBIS Translated Text] The Government of the Russian Federation decrees:

1. To confirm the appended rates of import customs duties and to put them into effect:

for commodities with respect to which the rates of import customs duties are not increased as compared with those previously in effect — effective 10 May 1995;

for the commodities indicated in the appendix to decree of the Government of the Russian Federation, 11 October 1994, No. 1156, "Partial Change in the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 25, Article 2715) — effective 1 October 1995.

2. to establish that:

the rates of import customs duties are applied with respect to commodities originating in countries to which the Russian Federation grants the status of most favored nation in commercial and economic relations;

with respect to commodities originating in countries to which the Russian Federation does not grant the status of most favored nation, and commodities for which the country of origin has not been established, the rates of import customs duties that are applied are doubled;

with respect to commodities originating in the developing countries that enjoy the RF scheme of preferences, the rates of import customs duties are halved;

with respect to commodities originating in the least developed countries that enjoy the RF scheme of preferences, import customs duties are not applied.

The list of countries that enjoy the RF scheme of preferences and the list of commodities to which, during import onto the territory of the Russian Federation, the preferential terms do not extend, are confirmed by a special decree of the RF Government.

3. To establish that the rates of import customs duties stipulated by this decree are applied to commodities being imported onto the customs territory of the Russian Federation, irrespective of the dates of concluding the contracts.

4. To establish that a change in the rates of import customs duties is made by the RF Government on the basis of a joint, substantiated recommendation of the RF Ministry of Foreign Economic Relations, RF Ministry of Finance, RF Ministry of Economics, and RF State Customs Committee, that has been prepared with the participation of the interested ministries and departments.

5. To recognize as being no longer valid:

decree of the Government of the Russian Federation, 10 March 1994, No. 196, "Confirmation of the Rates of Import Customs Duties" (SOBRANIYE AKTOV PREZIDENTA I PRAVITELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 11, Article 863) and decree of the Government of the Russian Federation, 14 April 1994, No. 318, "Questions of the Customs-Tariff Regulation of Foreign-Economic Relations"

(SOBRANIYE AKTOV PREZIDENTA I PRAVITELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 16, Article 1279) — effective 1 July 1995, and pertaining to the rates of import customs duties for commodities with respect to which those rates are not increased by this decree — effective 10 May 1995;

decree of the Government of the Russian Federation, 24 May 1994, No. 530, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 5, Article 494); decree of the Government of the Russian Federation, 2 December 1994, No. 1333, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 33, Article 3446); decree of the Government of the Russian Federation, 30 December 1994, No. 1444, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1995, No. 2, Article 151) — effective 10 May 1995;

decree of the Government of the Russian Federation, 30 June 1994, No. 755, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 11, Article 1290); decree of the Government of the Russian Federation, 20 September 1994, No. 1071, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 22, Article 2603); decree of the Government of the Russian Federation, 27 September 1994, No. 1101, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No 196, "Confirmation of the Rates of Import Customs Duties" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 23, Article 2574) — effective 1 July 1995;

decree of the Government of the Russian Federation, 11 October 1994, No. 1156, "Partial Change of the Rates of Import Customs Duties Confirmed by Decree of the Government of the Russian Federation, 10 March 1994, No. 196" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 25, Article 2715) — effective 1 October 1995.

6. In decree of the Government of the Russian Federation, 13 September 1994, No. 1057, "Confirmation of the List of Countries Enjoying the RF Scheme of Preferences and the List of Commodities to Which, During Import Onto the Territory of the Russian Federation, Preferential Terms Do Not Extend" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 21, Article 2400), the following words are to be deleted: "In supplement to decree of the Government of the Russian Federation, 10 March 1994, No. 196, 'Confirmation of the Rates of Import Customs Duties' (SOBRANIYE AKTOV PREZIDENTA I PRAVITELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 11, Article 863)."

[Signed] V. Chernomyrdin, chairman of the Government of the Russian Federation.

"Rates of Import Customs Duties" are published today in the departmental supplement to ROSSIYSKAYA GAZETA [RG]

*Concern Over Uncertain Future of Sberbank Expressed

954E0999B Moscow ROSSIYSKIYE VESTI in Russian 19 May 95 p 2

[Article by Lyudmila Biryukova: "Investors Concerned Over Impending Privatization of Sberbank: Into Whose Hands Will the Controlling Packet Fall?"]

[FBIS Translated Text] Readers have become concerned over news of the impending privatization of the Savings Bank of Russia [Sberbank]. "Is this really inevitable?" worried investors ask.

What can one say here? Today the RF [Russian Federation] Sberbank is a joint-stock company of the open type, in which the controlling packet of stock (51 percent) belongs to the Central Bank of Russia. Recently a new law went into effect prohibiting the country's head bank from being a cofounder in any commercial banks. This means that, prior to 1 January 1996, the Central Bank must divest itself of the controlling packet of stock: It must give away, sell, or get rid of it by any means.

"But, pardon us," say investors who are stunned by this news. "We, after all, handed over our money under state guarantee. With the assurance that the people's bank of the country would not be allowed to perish under any circumstances." The state has enough property and assets to pay off the debts if necessary, to refund the savings to the people. The democratic arrangement of society makes it possible to realize the just demands of the citizens. But then, waking up one morning, they suddenly discover that their money is in someone else's—they do not know whose—hands.

The trouble is that we are not being told anything definite. None of the legislators or members of the government are in a hurry to give the necessary explanations. People are nervous, suspicious that they are being played for fools and kept in the dark, while the authorities are keeping quiet. For the present, there is no precise information. There are only versions.

The well-known analyst of the president's command, Mikhail Delyagin, believes it unlikely that the state will give away such a choice morsel to anyone. Most likely it will merely shift it from one pocket to another. This, after all, is a reliable source of income and the basis of social stability. And in fact, at the recent annual meeting of Sberbank shareholders, Goskomimushchestvo [State Committee for Administration of State Property] Chairman Sergey Belyayev, in the presence of First Deputy Prime Minister Anatoliy Chubays, announced that the GKI [Goskomimushchestvo] has submitted to the government a proposal on handing over to it the packet of stock belonging to the Central Bank. But the packet is worth a lot of money, and the GKI does not have that much.

The Sberbank management is not averse to distributing the shares among the public, especially since it has the most widely branched network of filials to do so. There are already faint noises about an advertising campaign under the slogan, "Every person may become the co-owner of the largest bank in Russia!" But in the opinion of numerous specialists, the loss of the state's position in the management of the Central Bank and the dispersion of the shares among small-scale owners may overly strengthen the role of the bank's board of directors, which would then dictate its will. As it is, they have already reduced the monthly rate from 8 to 6 percent. What will happen if total singularity of power should ensue?

There is one other danger looming on the horizon: The sharks of business have set their sights on the controlling packet of stock. Fortunately, at the present time there is no such commercial structure that could buy up the controlling packet in the Central Bank by itself. However, everyone knows that commercial banks know how to unite into associations or consortia for the purpose of achieving certain goals. And in this case the goal is rather tempting.

Then again, other analysts believe that if "privatization" of the controlling packet of Central Bank stock is coming, there will be a bank war over ownership of the packet. Be that as it may, we may state most definitely that in this case the country's stock market would be shaken to its foundations. There would be an outflow of funds from other sectors of the market. The decline in demand on stock in privatized enterprises would be even more greatly intensified, and prices on this stock are falling as it is. Hopes for investments would become totally ephemeral.

In this critical situation, it does not appear that the Government, the Central Bank, or the Ministry of Finance have any desire to hold an honest discussion with the public on this topic, to share their plans and intentions. Tell the people, after all, do they still have some guarantees? Do not keep them in suspense. Otherwise, as the editorial mail testifies, a panic may ensue. People will rush to withdraw their investments, to buy up currency, and this will cause such an upsurge of inflation from which we will be unable to recover.

*Problems, Prospects of Sberbank's Privatization Detailed

954E1029B Moscow SEGODNYA in Russian
23 May 95 p 8

[Article by Olga Pomanova: "Oleg Boyko Hopes To Buy Up Sberbank with Ministry of Finance Money"]

[FBIS Translated Text] **Goskomimushchestvo [State Committee for the Administration of State Property—GKI] is supposed to submit a plan for privatizing the country's largest bank in 2 weeks.**

The idea of privatizing the "country's national property" (the term used by the Sberbank RF vice president, Mr. Soldatenkov) was discussed at length and in detail up until the Sberbank RF stockholders meeting held in early May. Based on the results of these discussions, it seemed perfectly logical to preserve the bank's special semistate-commercial status. So the replacement of the bank's main stockholder—the controlling block of stock, 50 percent plus one voting share, goes from the Central Bank to the GKI—produced if not the effect of an exploding bomb at least that of the sound of the starter's pistol.

The stockholders meeting was stopped on this very promising note, in order to reconvene in 30 days. During this time the GKI must outline a general plan for privatizing Sberbank, which, incidentally, could not fail to have been noted before the fateful, and plainly unexpected to a large part of the Sberbank leadership, appearance at the meeting of the first vice premier, Mr. Chubays, and the chairman of the GKI, Mr. Belyayev. However, even the very broad outlines of the coming changes still remain a secret behind seven seals.

Variations of Privatization

Even after the law on the Bank of Russia prohibiting the Central Bank of Russia from being a cofounder in commercial banks went into force and after the recent statement by Sergey Belyayev that his department had developed a Program for Privatization of Financial Institutions, the leaders of Sberbank RF did not rule out the possibility that the planned privatization would not take place in the more or less predicted period of time. Despite the fact that in last year's November polemics between Sberbank and the Lobov commission, when the Sberbank leadership spoke in the spirit "running free, to the pampas," only a week before the stockholders meeting, Mr. Soldatenkov's attitude was sharply opposed to the "hasty and not well-thought-out reorganization of the Sberbank system." In an interview with the Praym Agency, he stated that "in a transition period which is so unstable from the economic and political standpoints, the withdrawal of the Bank of Russia from the group of Sberbank stockholders will cause a sharp weakening of the state itself and will not bring anything good to the Russian economy as a whole."

It is notable that the Central Bank itself, which repeatedly announced its dissatisfaction with Sberbank's dual status (the state represented by the Central Bank provided guarantees, while Sberbank for the most part operates as a commercial bank), proved to be clearly unprepared for such a turn of events. Back at the start of the year, the Central Bank of Russia sharply objected to "prematurely withdrawing from Sberbank capital." The initiative of swift privatization came from the GKI and, following a surprising confluence of circumstances, proved to rank with other remarkable events.

First of all this means submission to the government of the final version of the banking consortium's proposal on putting the state block of stock of Russian enterprises in trust (see: SEGODNYA, 18 May 1995). Obviously, the controlling block of Sberbank stock is a very tasty morsel for any banking association, and although the participants in the consortium in public repeatedly denied their intentions toward Sberbank, nature abhors a vacuum of 51 percent ownership. Especially since the consortium back last month tried to bring Sberbank RF and Vneshtorgbank [Foreign Trade Bank—VTB], which are members of the Nadezhnost banking club, into its camp. Apparently, Sberbank and VTB (whose controlling block of stock, 96.8 percent, presently also belongs to the state, represented by the Central Bank) can be presented something like an autotrust: the banks join the consortium themselves but manage the state block of stock with the help of comrades-in-arms. However, it appears that both the GKI, and the Central Bank and Sberbank will make certain efforts to prevent if not the controlling block in any case a large block of stock from moving into the hands of claimants to an all-Russian economic monopoly.

Naturally, the state would prefer to move at least part of its block of stock from one pocket into the other. Sberbank would obviously not be opposed to becoming a joint stock bank with the participation of the state represented by the Ministry of Finance (the minimum block of stock giving the right to participate in the council of directors and the right to veto its decisions is 12 percent). Then the rest of the block could be distributed among Sberbank's present stockholders.

According to the manager of the securities department of Sberbank RF, Vladimir Pavlov, "At the present time, the share of the largest stockholders in Sberbank except for the Central Bank of Russia in the bank's capital is extremely negligible and can play no role." The size of the blocks of the largest stockholders could, of course, not be named at Sberbank, which keeps a register on its own. However, most of the banks, companies, or enterprises which figure on the list of largest stockholders of Sberbank also refused to comment on the amount of their participation in the bank's capital, referring to this as a trade secret and to a greater or lesser degree confirming an interest in increasing their share.

First Among Equals

The Natsionalnyy kredit [National Credit] Bank appears to be specially active in light of the upcoming privatization. The chairman of the governing board of Natsionalnyy kredit, Oleg Boyko, who is also the president of the Olbi concern, is perfectly capable of influencing the adoption of decisions or at least their formulation. Mr. Boyko's onslaught prevents us from presuming any successful opposition on the Sberbank leadership's part, which was certainly demonstrated at the Sberbank stockholders meeting.

The wave of events surrounding Natsionalnyy kredit lets us speak confidently of the state's favorable attitude toward Mr. Boyko's activities, which are by no means unselfish, and not in the most primitive sense of the word either. On 5 May, a fateful day for Sberbank, the merging was declared of two large banks, Industriya-Servis [Industry-Service] and Natsionalnyy kredit, its "daughter" which has grown up a great deal.

Late last week Natsionalnyy kredit signed an agreement with the RF Ministry of Finance for the state to buy a block of stock worth 40 billion rubles [R] of the bank's new R100 billion emission. The state will thereby receive 16 percent of the bank's capital, which will allow it to have substantial influence in the bank. It is interesting that 2 months earlier, the Natsionalnyy kredit and Industriya-Servis banks and the Olbi-Diplomat Joint Stock Company requested centralized credit worth exactly that same R40 billion from the Central Bank of Russia "to rectify the position" of the Favorit Bank, in which the supplicants were in fact shareholders. It is significant that Favorit's obligations were no more than R24 billion. Mr. Boyko proposed to use the credit for "highly liquid assets and securities."

Now, in the process of fusing state and private capital, the more or less open participation of the Ministry of Finance-Natsionalnyy kredit tandem in privatizing Sberbank would be a logical continuation. It is interesting that in response to the SEGODNYA correspondent's question about Natsionalnyy kredit's plans for Sberbank, the Natsionalnyy kredit representative, Ms. Natalya Komarova, emphasized that Natsionalnyy kredit has been a substantial stockholder of Sberbank Rossii (along with the Industriya-Servis bank) for more than a year and they have had no conflict.

Obviously, the final version of the mechanism for privatizing Sberbank will have the outward appearance of the golden mean, while essentially that is not the case: it is impossible to have something for everyone in the case of Sberbank RF. The forces which de jure or de facto have "taken" Sberbank will have not only financial and economic but also enormous political influence, and no one is indifferent to that less than a year before the presidential elections.

"People Do Not Speak of the Noose in the Home of a Hanged Man"

One gets the impression that in all the stormy events surrounding Sberbank of the last 2 weeks, the leadership of the bank itself is playing a secondary if not infrequent role. The Sberbank leadership refused to make any comments, continuing to work on current problems and guided by the proverb "people do not speak of the noose in the home of a hanged man." And even members of the Sberbank governing board assured the SEGODNYA correspondent that even the general outlines of the privatization plan had not been outlined for them yet.

In a conversation with the SEGODNYA correspondent, a highly placed manager of Sberbank who asked to remain anonymous stated that he does not place any importance on who will be the owner of the controlling block of stock: "I am more interested in Sberbank's future policy. I cannot say that it will be bad if it is Boyko or Smolenskiy. I would not want a person who has other goals to take the bank, then all the leadership would leave and that would be a disaster. I do not see significant contradictions in the policies of, for example, Sberbank and the Stolychnyy [Capital] Savings Bank. We work with them a lot, sometimes we annoy them and sometimes they annoy us, but that is simply the nature of the work. We do not have opposite views. And we have not clashed with Natsionalnyy kredit in work."

Here the Sberbank representative emphasized that he personally was aware of three options for privatization which were being discussed in the governing board. The first one he mentioned is preferable for Sberbank: dispersion of capital among private persons, for the most part depositors, and compensation of losses on 1992 deposits with Sberbank stock.

The second option was discussed on various levels for a fairly long time and is altogether undesirable for today's Sberbank: give the stock to municipal and regional organs. This idea may take the form of creating a holding company on the basis of territorial Sberbanks while giving them municipal status. Of course, regional Sberbanks are quickly transformed into independent regional banks, and the path to their absorption and control will be long and thorny. Undoubtedly, this idea has a great deal of support on the regional level, but the level of the other claimants to Sberbank is somewhat different.

The third option is a trust. A highly placed official commented in this way: "Let it be a trust, just so the leadership knows that they have a good master behind them. There is no reason to fight this: no one knows whom to fight, or how, or why."

We should find out in exactly 2 weeks, but for the time being the interval which has appeared is being filled with echoes of battles behind the scenes.

The "Devotees"

Sergey Belyayev, Goskomimushchestvo RF, and Vladimir Panskov, RF Ministry of Finance

The "Relentless Force"

Oley Boyko, Natsionalnyy kredit

The "Victims"

Oleg Yashin, Sberbank RF, and Tatyana Paramonova, RF Central Bank

[First Box]

Sberbank was converted into a joint stock company in March 1991, and the state's part in the joint stock company represented the controlling block of stock, which was held by Central Bank.

The capital stock of Sberbank Rossii was increased from R100 billion to R500 billion by decision of the stockholders meeting.

Two types of stock were issued: ordinary registered stock (90 percent, with a face value of R50,000) and preferred shares of registered stock (10 percent, with a face value of R1,000). The right to acquire preferred shares of stock was granted only to physical persons. At the present time 120,000 shares of ordinary stock and more than 500,000 shares of preferred stock have been distributed.

Sberbank RF participates in the capital stock of more than 100 banks, insurance and financial companies, trade houses, and investment funds. Among them are Vneshtorgbank RF, Inkombank [Foreign Investment Bank], AvtoVAZbank, MMB, MFK [International Finance Corporation], TGKObank, and MMVB [Moscow Interbank/International Currency Exchange].

In 1994, one out of two bankrupt banks had debts to Sberbank RF.

The idea of privatizing Sberbank RF through the sale of the state's share in joint stock capital was publicly presented for the first time by Viktor Gerashchenko in early 1993.

In November 1994, the Sberbank RF leadership successfully opposed the Lobov commission's proposal to make state regulation of the bank's activities substantially stricter.

[Second Box]

The Largest Stockholders of Sberbank RF (the size of the blocks of stock is a trade secret)

Central Bank of Russia

Vneshtorgbank Rossii
Natsionalnyy kredit
Industriya-Servis
Inkombank
Middle Volga Commercial Bank
Rossiyskiy kredit [Russian Credit]
International Bank of Economic Cooperation (IBEC)
The Izhmash State Plant
Elbim-bank
AvtoVAZbank
TOKObank
Rosgorstrakh Russian state insurance company
AIKPS [unidentified] Promstroybank [Industrial Construction Bank]
AO [joint stock company] Rosvertol
Mytishchi Commercial Bank
AOZT [closed joint stock company] SAM Trading Company
AO Mikrodin Trading Company
VNII [All-Russian Scientific Research Institute] Avtomatika
Novosibirskvneshtorgbank [Novosibirsk Foreign Trade Bank]
AO KPK [unidentified] Kronverk
Aviabank
Most-bank
Imperial
NGS-bank
State enterprise Sakhainvestroy
Lena River Steamship Company
Ukhta Oil Refinery
AO Leningradskoye

*Duma Banking Committee Head Medvedev on Sberbank Privatization

954E1039C Moscow ROSSIYSKIYE VESTI in Russian 2 Jun 95 p 2

[Interview with Pavel Medvedev, chairman of the State Duma Subcommittee on Banking Legislation, by ROSSIYSKIYE VESTI correspondent Valentina Vedesova; place and date not given: "Privation of Sberbank Postponed Until 2000"]

[FBIS Translated Text] **The news that our Sberbank will soon be like all the other commercial banks and the state will not guarantee deposits has startled the public. We have already reported on the possible consequences of this Duma decision (See ROSSIYSKIYE VESTI of 19 and 25 May), but what were the deputies guided by, what were their motives, and when did they legally formalize their demand that the Central Bank discontinue its participation in Sberbank capital? Our correspondent asked this question of Pavel Medvedev, chairman of the State Duma's Banking Legislation Subcommittee, and something unexpected was heard.**

[Medvedev] Weak spots were revealed in the law that was passed. This involves primarily the so-called transition articles which provide for withdrawal of the Central Bank's funds from the charter capital of all Russian banks operating in the country's territory, including the Sberbank, by 1 January 1996. There are Russian banks in other countries as well. They were assigned another period of time for full privatization—1 January 2000—and this is correct.

In my objective opinion, the same period—by the year 2000—should have been assigned for domestic banks as well. I supported this view continuously during the course of discussion on the draft, but the majority decided differently. Now we are seeing the panic-stricken reaction of the public, which does not understand the details of this operation or the advisability of it in general. By the way, the public does not have to understand it; every person has his own business. A lesson may be learned from this: it is not enough to make a correct decision based on the logic of the reforms. It is essential to determine the best period of time for its implementation.

[Vedesova] But how is this shortcoming to be corrected now?

[Medvedev] There are possible alternatives here. After signing the Law on the Central Bank, the president vetoed the Law on Banks and Banking Activity. His comments included remarks concerning changes in the fate of the banks where the state has a controlling block of stock at present. Boris Yeltsin asks that the State Duma take into account the special status of the Vneshkombank, the Vneshtorgbank, and the Sberbank in the Law on Banks and Banking Activity, but the State Duma working group is inclined to follow a different path, if only to calm the alarmed public. In short, we are prepared to go back on our word—to amend the Law on the Central Bank, which has already been passed. Legally, this is entirely proper. Consultants from the president's side have agreed with us.

[Vedesova] Are you confident that the State Duma will cope with this task with the current composition? As I understand it, the deputies are overloaded with urgent draft laws, and little time is left.

[Medvedev] Most likely the Duma will immediately adopt a very short law in three readings on amendments under which all banks operating in Russia and abroad will be placed in different conditions; they will have to remove Central Bank funds from their charter funds by 1 January 2000. I believe this law will pass easily, though we will still have to discuss this approach with deputies of the upper chamber of parliament. Inasmuch as all deputies now have begun to realize the consequences which may result from the growing rumors of the Sberbank's privatization, I assume that they will have no objections, either.

Of course, 2000 is not far off, and this postponement will make it possible to resolve the problem of relationships between the Sberbank and the Central Bank gradually.

[Vedesova] That is, you have created difficulties in order to overcome them successfully later on?

[Medvedev] The Central Bank cannot sit on two chairs, you know. Its business is to dominate the entire banking system. The lower level of the financial system should be separated from the upper level. Their interests do not have the right to be combined, but if the Central Bank has its capital in a commercial bank and the latter operates with the objective of obtaining a profit from these funds, it turns out that the chief bank is acting in the role of an observer and is interested in greater profitability for its ward as well. The Central Bank should not have independent commercial interests. So the principle of dividing the capital is correct, and shifting from one system of relationships to another must be done gradually.

[Vedesova] But separating the interests of the Central Bank and other banks by 2000 does not save the public from lack of confidence in the security of their deposits, either. It simply defers this danger for several years.

[Medvedev] Withdrawal of Central Bank capital from the Sberbank charter fund does not mean that the state is refusing to support it with its funds. It can leave its share there, and this will not conflict with capitalist practice at all. In France, for example, the important banks have been state banks for a long time, and only recently have they begun to be denationalized. It is entirely possible that our state will have a major share of its funds in financial structures not by 2000, but perhaps by 3000, gradually moving away from them, if only this trend of removing their state structures from commercial activity is maintained.

[Vedesova] But who will be the holder of state capital in a commercial bank if this has been ordered by the Central Bank?

[Medvedev] It is more natural that the Property Fund represents the state in commercial structures or other organizations. All this will be resolved gradually, without haste which shocks the public.

*Report on Congress of Russian Banks Association

954E1023A Moscow KOMMERSANT-DAILY in Russian 25 May 95 p 5

[Article by M. Akimov, under rubric "Congress of the Association of Russian Banks": "TsB and ARB Have Decided at the Congress Not to Clarify Relations"]

[FBIS Translated Text] **The 5th Congress of the Association of Russian Banks] that was held yesterday gathered the cream of the banking community, prominent politicians, and highly placed state employees. The congress received a welcome from Russian president Boris Yeltsin and from Ivan Rybkin, chairman of the lower house of parliament. The progress of the ARB congress is discussed by KOMMERSANT-DAILY special correspondent Maksim Akimov.**

Something that promised a certain enlivening in the work of the congress was a personal meeting between the opponents in a fierce dispute about the new rules governing mandatory bank reserves —TsB [Central Bank] acting chairman Tatyana Paramonova and ARB president Sergey Yegorov. But no ruckus broke out. Paramonova and Yegorov in the presence of others were demonstratively polite to one another.

Obviously, in her speech Tatyana Paramonova could not ignore the question of mandatory reserves. However, she limited herself to setting forth the already known TsB position and reported that consultations with the ARB leadership on that question would be continued. She confirmed that the fight against inflation and the preservation of the public's funds continue to be the priorities in TsB policy. In addition, the head of the Bank of Russia called upon the bankers to refrain from unconscientious competition, noting that the "death" of one bank has an effect on the reputation of the entire banking community. On her part, she promised to speed up the creation of a system to provide "early warnings" of bankruptcies of commercial banks and to assure the timely interference of TsB representatives for the purpose of preventing such bankruptcies. Tatyana Paramonova also presented the idea of creating a nationwide system for evaluating the solvency of market participants (enterprises, banks, etc.). To one degree or another, individual banks, the ARB, and other banking organizations have engaged in the creation of "black lists" of insolvent clients. However, the scope of the projects and frequently the lack of the necessary information have made it impossible to use in a realistic way the information that has already been accumulated. In this regard the TsB initiative is extremely timely. Ms. Paramonova also reported that the Bank of Russia is preparing an instructional guide that regulates the principles of correspondent relations among banks. In particular, it is proposed that banks develop and introduce limits on the balances in the correspondent accounts and abolish reservations on the basis of *loro* ["your"] accounts.

Anatoliy Chubays, vice-premier of the Russian government, attempted to incline the banks toward reorientation to work in the "real sector," that is, toward investments in production. He also proposed to the banks that they participate more actively in creating financial-industrial groups. Citing numerous examples of the oncoming financial stabilization — the lowering of the inflation level, the stabilization of the currency exchange rate, the lowering of rates for interbank credit — the first vice-premier expressed his absolute assurance concerning the end of the era of the development of banks under conditions of a 15- to 20-percent inflation, and "sympathized" with purchasers of futures with an execution date at the end of the year.

In response to these appeals, Vladimir Vinogradov, president of Inkombank, also with figures in his hands, demonstrated the lack of any real or reliable sources for bank investments, and also complained about the lack of attractive items for investments. Such measures as what he considers to be the artificial restraining of the rate of the ruble with respect to the dollar will lead sooner or later to multiple repetitions of "black Tuesday."

ARB president Sergey Yegorov, who spoke at the congress, like the TsB head, did not specifically draw the attention of the congress participants to the problem of mandatory reserves. Mr. Yegorov even stated that relations with TsB were being "smoothed out." The ARB president complained that currently there is no mechanism for preliminary consultations between the Bank of Russia and commercial banks. But such consultations are necessary, since, in Mr. Yegorov's opinion, TsB "does not have the right to make decisions independently" in the sphere of regulating banking activities. The head of the Association dwelt on the successes that were achieved by ARB last year. In particular, the Association achieved the inclusion in the Law "Banks and Banking Activities" of statutes governing the notification procedure for creating bank branches and insisted on the abolition of certain statutes in the Procedure for Application of the Statutes in Edict No. 1006 ("uniform account").

The bankers with whom I spoke in the congress lobby put a positive evaluation on the activities of ARB last year. For example, Andrey Samsonov, deputy chairman of the Moscow Bank of Russian Sberbank, recognized that the Association has been doing much for protecting the banks' interests. But in the opinion of Aleksandr Malyshev, president of the "Investkredit" Interbank Association, within the near future the ARB will become a national association, and the appeals of ARB president Sergey Yegorov to involve banking experts in the development of new normative documents will be firmly established at the legislative level.

[begin box]

Excerpts from the Draft of the Decree of the 5th Congress of the Association of Russian Banks

1. The Federal Assembly and the President and government of the RF are to be requested to involve the banking community more actively in developing laws and other normative acts.

2.1. TsB is to be requested to develop, with ARB participation, a system of measures to bring the banks out of crisis situations.

2.3. TsB is to be asked in addition to consider the question of reducing the mandatory reserves of commercial banks so that they will have more opportunities for investing their funds in production, supporting governmental programs, and buying state securities.

3. The ARB Council and board of directors are to be required:

— to continue the participation in working out a concept for developing the banking system, and in preparing legislation and normative acts that regulate the activities of banks;

— to consider to be a very important task the development of measures to increase the stability of the banking system and to prevent bank bankruptcies, and to continue the work in the State Duma and the government on the creation of a Fund for protecting the public's deposits in banks;

— to continue the participation in creating a new payment system for Russia and a system of settlements with the CIS countries;

— to continue cooperation with the RF foreign-economic and foreign-policy departments for purposes of promoting the broader participation of representatives of commercial banks in the work of official RF delegations abroad,... and obtaining the appropriate diplomatic, organizational, and visa support when banks are organizing their branches and representations abroad.

4. The Code of Banking Honor is to be approved. Increased demands are to be made of the association members who violate the ARB charter and the Code of Banking Honor, up to and including loss of membership in the ARB.[end box]

*Banks Propose Credit if Government Invests It in Industry

954E0947B Moscow SEGODNYA in Russian
4 May 95 p 13

[Article by Yevgeniy Spiridonov: "Bankers Will Only Give Money to Metallurgists if Secured by Property. Government Has Already Been Promised 16 Trillion Rubles of Investments, Provided Tax Breaks Are Granted"]

[FBIS Translated Text] In June 1995 a working group of specialists consisting of representatives of Tokobank, Moscow International Bank, Metallinvestbank, Promstroybank, KB [expansion unidentified] Rossiyskiy Kredit, Menatep, ONEKSIMbank, Magnitogorsk Metallurgy Combine, Lebedinskiy Mining-Concentration Mill, and experts of Roskommetallurgiya will prepare proposals to the government concerning the perfecting of legal and tax normative documents regulating the attraction of investments in industry. This decision was made on 28 April in Staryy Oskol by participants in a roundtable during which metallurgists and bankers discussed problems of attracting investments to implement the federal program of technical retooling and development of Russia's metallurgy to the year 2000.

Roskommetallurgiya Chairman Serafim Afonin reported that since privatization started, 85 percent of fixed assets in the metallurgy sector has gone into the hands of stockholders. Such practice of denationalization of property has no precedent. It took over 20 years for Great Britain's metallurgy to be privatized. In France, the conversion of state-owned metallurgy to private metallurgy, which began two decades ago, is not yet completed.

The basic difference between Russia's experience in metallurgy privatization and foreign experience is that in the West they first take a complex of measures to ensure the competitiveness of the object of privatization and then sell its shares at market prices. In Russia, however, banks and financial companies such as Menatep, Inkombank, Rossiyskiy Kredit, Tveruniversalbank, and Rinako Plus will grab up large packets of shares of metallurgy enterprises but do not possess real, working properties which could themselves attract funds to develop production.

Russian metallurgy's assets are 50 to 70 percent worn out; more than half of the steel is smelted in open-hearth furnaces; wastes per tonne of finished rolled stock are three times more than, say, in Japan. Implementing the federal program of modernization of metallurgy to the year 2000 will require about 10 billion dollars and 20 trillion rubles. Aleksandr Lyubinin, vice president of Rossiyskiy Kredit, thinks that unless a favorable investment climate is created, private financial institutions will not go for the program.

Oskol Electrometallurgy Combine General Director Aleksey Ugarov said, for example, that they need $80 million to build a mill. Four years after it goes into operation, the outfit will double its profit, and two years after that it can start paying on the basis of interest. The banks will not offer credit for six years, but only one year—at 200 percent. The banks, said Tokobank Vice President Pavel Nefedov, are not going to give "long-term" credit just to be nice. Essentially the borrower cannot offer anything as security, and the security procedure is complex and costly. Up to 10 percent of the property pledged as security must be put into the budget. Such is the legal basis of investments in Russia. And bankers do not care about blast furnaces or completed facilities; what they want is for their money to work. In other words, bankers think it is best for the government, represented by the Mortgage Office, to receive the borrowers' pledge property and dispose of it if the borrower fails to meet his obligations, and take money from the property in order to cover financial risks and nonpayments. Then there will be true partnership between creditors and borrowers.

The percentage of credits issued by Russian banks for more than a year rose from 2 and 3 to 10 percent of the total volume of loans over the past three years. Unless investments and tax breaks for creditors are protected, the roundtable participants said, it is hard to count on more. If a bank itself buys currency credit at 25 to 26 percent, it cannot give it to the borrower at 12 percent. Nevertheless, the banks have formed a consortium with a working group that is now drafting the terms of a credit deal with the government. The banking community is offering the government R9 trillion at a fair rate of interest—provided, said Mr. Lyubinin, that the state pledges to sell to the banks, ahead of schedule, a packet of shares in the enterprises they have an interest in. The consortium's working group will prepare a list of them, including major metallurgy enterprises.

But Mr. Lyubinin spoke against the government running an experiment in which it privatized three or four enterprises according to the scheme proposed by the consortium and then gradually widened the scope of the experiment. Because the government needs money, along with experimental privatization money auctions will be held one way or another, again attended by Russian and Western banks, and the enterprises will not get the strategic investor.

Mr. Lyubinin thinks that Russia's banks will find R9 trillion for credits to the government, and if municipal as well as federal properties get involved in sales to the consortium's banks, it will get another R7 trillion. However, bankers fear that this money will all go into the budget, which does not include a single expense item relating to the financing of industry. It only includes social programs. Therefore, Mr. Lyubinin thinks, when the consortium allocates credit it must stipulate that some portion of the credit has to go for investment in industry.

As for tax breaks to investors, the participants in the roundtable said, the Finance Ministry and the Duma have dozens of bank proposals on improving the investment climate in Russia. They also realize that if interest rates are lowered without changing the tax base, profits will rise and make additional funds available for investment. But when will this happen? In a year, a year and a half, as in other countries? Perhaps even later. And this uncertainty, bankers believe, is paralyzing the Finance Ministry, which is very fearful of any temporary reduction of revenues to the budget. The bankers have asked the Russian Committee for Metallurgy to lobby together for the swift adoption of documents providing tax breaks for investors.

Aleksandr Golubovich, the head of Menatep's investment office, said that untapped investment reserves can be sought in the foreign deposits of trading outfits which have earned money by exporting goods at reduced prices. But he thinks what the state is doing prevents this money from coming back to Russia. The Duma has shot down a draft law to grant tax amnesty for the foreign holdings of Russian organizations. The Finance Ministry is deciding that foreign deposits constituting capital with foreign participation will be levied a value-added tax of 20 percent.

The metallurgists' products are finished metal goods, raw materials, and semi-finished goods. The bankers' commodity is money, also including bonds and securities. Each side wants to profit from his commodity in the money-metal-money chart. Nobody wants to work at a loss. Aleksandr Golubovich has formulated the terms for granting long-term credits on a partnership footing. In financing a project it is necessary to determine the specific sources for paying off the loan, as well as the borrower's responsibility for his obligations. It is necessary to know who can give enterprises' shares as security, if that is necessary.

Bankers are also unhappy with the technical-economic substantiation for investment projects submitted by borrowing enterprises. The standards used in analyzing projects' feasibility are frequently unacceptable to the banks. When granting credit, it is absolutely essential to indicate the marketing organization (trader) which is responsible for the sale of the goods produced according to the project and with which the bank and enterprise institute legal relations. An enterprise's image in the eyes of the bank depends on the good name of the foreign trader who buys the goods. Bankers are happiest when services are provided by properly functioning organizations. They are scared when an outfit has a semi-criminal tinge. The bankers said that a borrower's willingness to provide the information that the bank requires, concealing nothing, has a definite influence on the rate of credit interest they set. The more open the enterprise, the lower the rate.

*Bank Depositors, Stockholders Frustrations Vented

954E0994A Moscow PRAVDA in Russian 20 May 95 pp 1-2

[Article by Yuriy Palchikov, chairman of the board of the Association of Depositors, Stockholders, and Creditors and candidate of juridical sciences: "With a Gun on the Banker"]

[FBIS Translated Text] I look at the screen of a television set and see a picture that is quite characteristic of today's era of democratic bureaucracy: Mr. Chernomyrdin's limousine has a hard time making its way through a dense crowd. The commentator's voice-over impassively explains: "On one of the streets of Magnitogorsk, swindled academicians bar the way to a government motorcade. They are demanding that their money be returned." I wait with interest: Will the black-sided "member-carrier" come to a halt, will the black-browed premier get out, and if he does get out, what will he say to this indignant mass which has become the victim of financial swindlers because of the permissiveness of its government? It was completely natural to expect that Viktor Stepanovich, always so businesslike in appearance, would at least calm down the people in some way.

The head of the Cabinet of Ministers and the newly fledged electoral bloc, however, did not want to launch into explanations with his potential voters. His motorcade forced its way through the victims and set off for home. For me, the director of the Association of Depositors, Stockholders, and Creditors (AVAZ), this was a cowardly flight—not simply an act of disrespect toward the population of a huge industrial center. This is unwanted confirmation of the indisputable fact that there is nothing for the RF [Russian Federation] Government, which inspired the appearance of the many swindling financial companies, to say today to the 30 million swindled fellow-citizens, whom swindlers have robbed of 20 trillion rubles [R]! In Magnitogorsk, one might say, Chernomyrdin has already lost the elections, unless a certain unfair manipulation takes place. What does he have to hope for in other regions?

Letters come to our association at 18 Masnipkaya almost every day from victims and disillusioned people in all corners of the country. After all, they sincerely believed in the government's appeals to invest money in the economy of the "new Russia" in order to raise it out of ruin. For this the state promised to reward them with higher interest rates. Hurry citizens, invest your savings in funds, banks, financial companies! People were literally bombarded and tormented with advertisements, from which there was no escape anywhere: neither at home nor in the street. Our old people proved to be the most defenseless of those who were caught in this network.

Here is a collective appeal to the RF president, signed by 274 depositors from the capital and the Moscow suburbs: "World War II and labor veterans, the disabled and pensioners appeal to you. We ask that instructions be given to RF Premier Chernomyrdin, the acting procurator-general, the RF Central Bank, the Ministry of Internal Affairs, and other organs to find and return to us the money stolen from us by the Hermes-Finance AO and other joint-stock companies registered as government institutions. On Victory Day you spoke very nicely about the heroic deeds of those who routed German fascism and saved Europe from the brown plague. Look at us today, swindled by the 'new Russians,' and protect us, Mr. President!"

They need to be protected—and immediately! After all, many people, not suspecting anything bad, sent their "coffin money" into every possible "horn and hoof," and others mortgaged apartments and land plots, took out loans, or made payments to a "pool." Now the creditors, as they are called, are standing there with a knife to their throat.

Does the head of state know about the woes of the millions cheated by financial swindlers? Of course! The Security Council once asked me to analyze the state of affairs on the securities market. I did. They thanked me and said that my work rested in a message from the president of the Federal Assembly, verbatim, on the need to protect the funds of the depositors. An edict was even issued recently "On Measures To Ensure the Interests of Investors...." Mr. President! Does this mean that all our purgatory is behind us? Nothing of the sort! The edict had only a surprisingly feeble statement of the fact that the highest code and other normative acts had been fulfilled by neither the power nor the financial nor the tax departments, not to mention the RF Central Bank.

They promised us that financial companies which did not have the appropriate licenses would be shut down. Very nice! But what will happen to the funds that these dodgers collected from the depositors? Why were they permitted to be active in general? Well, it was so that the money of the depositors of financial Gullivers such as Hoper-Invest, Russkiy Dom Seleng, Russkaya Nedvizhimost, and others would be quickly transferred, before court suits on behalf of the victims, to the treasury! There they will have a whirl for the glory of the budget until a mechanism is developed in the radiant future to return the funds to the swindled investors.

The comment by Livshits, assistant to the president, who is not inclined toward designing this mechanism, is quite depressing. He says, you can do nothing, if the swindlers have run off with the people's money. If it's impossible—it's impossible.

The authorities' lack of interest in seeking the financial rogues intensifies, with every passing day, the already tense sociopolitical situation in many cities. They could not simply hush up the spontaneous protest of the population of the Magnitogorsk SMI. Things had already reached the point where in Moscow one infuriated depositor burst into a bank with a gun and demanded his money back. One could have easily judged the mood of the swindled at the hearings held by the Committee on Labor and Social Support and the State Duma Commission on Protecting the Economic Rights of Citizens, using the example of the Tibet concern.

The speakers called—no more, no less—for organizing mob law over the swindlers who had appropriated their savings and for seizing the property of the bankrupt firms. Passions at times burned so high that S. Kalashnikov, chairman of the Duma committee, sometimes had to cool down the hotheads. The officials—representatives of the Ministry of Justice, the Antimonopoly Committee, and the procurator's office of Vaumanskiy Rayon—could in no way make the "Tibet people" happy. Even this, I would say, rehearsal, however, is evidence of a certain seriousness in the intentions of the State Duma deputies, who will assemble in June to hold hearings in parliament on the criminal situation on the financial market and to pass a law on protecting swindled stockholders.

There is no need to philosophize particularly, since Article 16 of the RF Civil Code says directly that if the state has not protected the citizens against criminals, it must compensate them for the damage. This is a legal axiom. I quote it especially for the officials who pretend "not to know": "Losses caused a citizen or a legal person as the result of the illegal actions (negligence) of state organs, organs of local government or officials of these organs....are subject to compensation by the Russian Federation, the appropriate component of the Russian Federation, or municipal formation." How to compensate them is another subject. I can suggest one of the ways in the nature of an initiative. The government is already transferring funds found in the possession of the financial swindlers to its own special account. It must accumulate them in the course, let us say, of six months, and circulate them, having multiplied them. Then, payment will be made, through the initiative groups of AVAZ, with adherence to all the legal procedures. Moreover, in the dollar equivalent on the day of deposit and issue—in order to avoid the tedious recomputation of interest and keep the sum safe from being devoured by inflation. It seems to me that this way is fully acceptable for the state, because it is not onerous and is profitable.

Today the power structures, developing the game of "patience" of an election campaign and putting together blocs, appear to picture the people as a silent herd, which can be enticed with empty appeals about the "rebirth of Russia." They have heard enough! I would therefore simply exclaim: Messrs former responsible party officials, look out the window! There are millions of humiliated and outraged people: people budgeting their tiny wages; disabled war veterans and labor veterans; forgotten Afghan veterans and "Chernobyl people;" refugees; the homeless; officers evicted from Germany; workers from the North, who cannot afford any apartment in this Great Land; the unemployed; peasants, left without a shirt on their back; and, finally, indignant miners and metallurgists, teachers and physicians, who have not received wages for months. (All together—the army of swindled stockholders and depositors, armed with the law).

Here are the stable groups with their leaders and forms of fighting for socioeconomic and civil rights who will determine for whom the tremendous masses of electors vote. As for our association, which represents the interests of three dozen million victims, we, along with the rank and file of the groups and social movements, the rights of which have also been violated, are organizing an all-Russian bloc of electors, Narod. This will be a force capable of introducing considerable correctives into the electoral game of patience being played by the Kremlin.

Practical experience shows that the "lower classes" are capable of generating their own leaders, who will, unconditionally, surpass those appointed from the top in knowledge of the vital, deep needs and expectations of their social groups, who know how to express them and insist on them. We are ready, however, to go shoulder to shoulder with the well-known people, who do not have the stain of politicians, who love their Motherland and their people and set as their main goal the achievement of its material well-being, Russia's way out of the abyss of crisis, and in the future—the creation of a unified allied state. I am sure: United and organized, we will have our say at the coming elections. When we feel and prove our strength, government limousines will not dare to push us apart disdainfully.

*Banks Debate Compromise on Obligatory Reserve Funds

954E1032A Moscow KOMMERSANT-DAILY in Russian 27 May 95 p 1

[Article by V. Borodulin: "The Central Bank and Commerical Banks Adopt a Decision in Principle"]

[FBIS Translated Text] **The search for ways to resolve the conflict between the Central Bank and commercial banks, brought about by the familiar "Supplement No 2," has reached a new plateau. The banking community has substantially lowered its demands and abandoned the idea of forcing the Central Bank to return to the initial position; that is to the register and size of obligatory reserve funds which existed prior to 1 April. Instead of that it was proposed to differentiate the existing reserve fund requirements depending on the share of currency in the bank's balance. The Bank of Russia and the government agreed to that, and it was so recorded at the conference held yesterday at the office of the First Vice Premier Anatoliy Chubays.**

The previous history of probably the greatest conflict between the Central Bank and the commercial banks is rather well known. At the end of March the Central Bank issued "Supplement No 2" to the Statute on the Order of Formation of the Obligatory Reserve Fund of Commercial Banks and Credit Establishments in the Central Bank of the Russian Federation, which applied the reserve requirements to almost all bank liabilities. That caused a sharply negative reaction among the banks which were not satisfied even by the subsequent lowering of the size of the reserve funds. In the seven weeks that elapsed since the change in the order of creating reserve funds, the government (in the person of the First Vice Premier Anatoliy Chubays), the Central Bank, and representatives of the banks conducted a number of consultative meetings on that problem. The last one took place yesterday, and without exaggeration it may be called noteworthy.

Until now banks occupied an uncompromising position demanding the repeal of the supplement, threatening to withdraw the GKO [government short-term bonds] from the market and refuse credit for the government. To substantiate these demands they cited figures showing possible losses of the budget from the collapse of the banking sphere—from 21 trillion rubles [R] (Sergey Vinogradov, Inkombank) to R5.7 trillion (minimal evaluation by ARB). The average estimate of banking losses fluctuated between R7 and 8 trillion.

The statistics of the Central Bank, however, indicate that the reserve requirements, becoming more rigid, increased funds frozen in the Central Bank by only R2 trillion. Moreover it is necessary to take into account that from 15 to 30 percent have not yet transferred the increased reserve amounts. As it became clear at yesterday's meeting, the banks (their interests were represented by Sergey Yegorov (ARB), Vladimir Potanin (ONEKSIMbank), Konstantin Kogalovskiy (Menatep), and Yuriy Kondratyuk (Moscow International Bank)), essentially recognized these figures and agreed that there is no need to soften the reserve requirements.

The statute recorded in the minutes of the meeting, indicating that differentiated reserve requirements will be introduced in the very near future (depending on the share of currency in the bank's balance), became subject to compromise. According to one of the government officials, Tatyana Ponomareva "has supported that idea for a long time and finally the banks accepted it." The point is that a change in the register of accounts subject to reserve requirements primarily affects the banks actively engaged in currency operations: reserve amounts were calculated in rubles and their freezing led to inflationary losses. At present it is still not clear what the grading of reserve requirements is going to be. The conference adopted only a basic decision and created a working group which will prescribe the new version of the regulation on the order in which reserves are to be created. Along with the proposal on currency differentiation of requirements, there was also the proposal to differentiate requirements depending on the terms of the credit extended by banks to enterprises: the longer the term of the credits granted by banks, the softer the reserve requirements for them. This, however, was not accepted.

As declared by one of the highly placed government officials, 1 July is a possible date for introducing the new reserve requirements. The order existing now will be used until that time.

*Laws Deemed Ineffective in Fighting Economic Crime

954E1036A Moscow ROSSIYSKIYE VESTI in Russian 31 May 95 p 3

[Article by Marina Kryuchkova: "Should a Thief Be Imprisoned?! No Need To Hurry..."]

[FBIS Translated Text] **Less than half of every hundred criminal cases of fraud in the field of finance and credit reach the court. Why?**

Until recently most Russians viewed economic crime simply as follows: "One thief has stolen a club from another one, so let them look into this themselves; this means nothing to me..." Later, when one fund and trust after another began going bankrupt, leaving millions of depositors cheated, the term "economic crimes" acquired a very specific meaning.

It was a question of whether it referred to shady transactions with depositors' funds, operations with counterfeit "Rossiya" checks, or false credit documents making it possible to pump billions in "unreal" money into the economy. In any event, this affects the interests of each one of us because inflation empties our pockets after such infusions, essentially the same as when our pockets are picked or we are burglarized.

One of the most widespread economic crimes today has become the forgery of credit advice notes—a kind of guaranteed commitment to transfer a specified sum of money. Transferable telegraphed and teletype credit advice notes were introduced by the Central Bank in 1992 following the unfortunate "experiment" with "Rossiya" checks. The purpose was the same: to expedite settlements between enterprises.

As usual, they wanted to make it better but it turned out as it always does. In the past year alone, the damage resulting from the use of counterfeit advice notes reached several trillion rubles—an amount comparable to the gross national product! Nearly half of this money was received in accordance with so-called Chechen advice notes, which nearly everyone has written about thus far.

Despite the generally accepted opinion, the number of such crimes has not been reduced noticeably now after elimination of "the hornets' nest" in Chechnya. It is simply that those loopholes in the system of monetary settlements which some people have been using to their advantage are now being used by others just as readily. The same may be said about practically all types of fraud—with the public's deposits, with securities, and with fake banking documents.

"And the situation will not change until legislation on economic crimes keeps pace with the times," states Andrey Stepantsev, deputy chief of the Second Division of the Investigation Administration of the Moscow GUVD [Internal Affairs Main Administration].

So some kind of artificial schemes will have to be devised so that fraud and crime do not remain unpunished. The people who have misappropriated billions are smiling while they watch our efforts, but it is becoming a little hot—they are already somewhere in the United States, Israel, Germany, France, Poland, and Hungary. It is good anywhere when one has money. In order to get them back, action will have to be taken through the office of the procurator general, the national bureau of Interpol, and the MID [Ministry of Foreign Affairs]. All this will take months, even years. In the United States, for example, they have not responded to our inquiries for 2 years. One of our "clients" is there, and he even calls us from there: How is everything there? Everything is fine here. Are they looking for me?

They also resort to help from protectors in high places. A month ago a guilty verdict was finally reached in a case involving false advice notes from Vladikavkaz. The organizer, a certain Bober, was sentenced to seven years in prison. This case took three years, and investigators had to listen to endless threats and promises over that period. Several times the case was held up and further investigation had to be conducted for insignificant reasons; after all, those accused of economic crimes usually have the most experienced lawyers as "advisers."

Should we be surprised after this when absolutely "certain" cases fall apart and only three or four out of every hundred "economic" cases end in guilty verdicts?

In 1993, a criminal group which had appropriated over 2 billion rubles [R] was arrested in a case involving the theft of state property on a particularly large scale—once again by means of false advice notes. The leader, the one who inspired this activity, a certain P., was a remarkably high-level figure. He was one of the founders of a commercial bank in the Moscow suburb of Pushkino and the general director of the "Elizabet" Joint-Stock Company and the small "Impuls" enterprise. He is a person with the most extensive contacts in banking and among officials in the Ministry of Communications, and in the past he was the manager of a regional communications network. He opened doors to many Moscow banks without knocking, as they say.

By obtaining 30 million in credit for his enterprises (the case was held in 1992, and a minimum of two more zeros must be added to reach the current equivalent of this sum), P. did not even consider it necessary to sign a credit contract—and he gets away with it! The document in accordance with which this sum was received was signed only by the bank manager, and the chairman of the board of another bank—the same one where P. was mentioned as a founder—confirmed in one of the references that the current account of the small "Impuls" enterprise which he managed contained over R135 million, while not even R100,000 was found there...

It need not be stated that by availing himself of such support and trust, P. easily overcame the few obstacles which the Ministry of Finance and the Central Bank try to place in the swindlers' path. The scheme for such crimes is simple. After obtaining, or more precisely, after buying the blank forms for credit advice notes, which generally are documents that are strictly accounted for (!), the criminals fill them out (although under the law only a bank employee has the right to do this) and send them to the clearing center for the commercial bank where the enterprise's account, created or controlled by the swindlers especially for these purposes, is opened.

Under the arrangement, the RKTs [clearing centers] should verify the authenticity of the advice note. Criminals who have already obtained access to telegraph or teletype equipment through bribery and know all the required codes, current account numbers, and addresses, easily avoid this verification by sending the RKTs a fictitious confirmation right after the fictitious advice note, often making use of fake seals and stamps. After all, the Moscow Investigation Administration has repeatedly raised the question of changing the current procedure for their manufacture—only through internal affairs organs—but no progress is being made there either, as they say...

The circle is closed by the RKTs official who approves the transfer of real money to the enterprise's current account in a commercial bank.

If the commercial bank has doubts about the nature of such payments, they are much less important than the effort to obtain its share of profit for the banking operations involved in the transfer of large amounts of money, as a rule. Moreover, according to data from the Moscow Investigation Administration, there are cases (they are now under investigation) in which the bank management received a percentage of the sum transferred which was stipulated in advance. This is why examples in which a commercial bank has expressed its doubts to competent organs are quite rare, and the money goes to the enterprise's account. From there it is converted or transferred abroad, where its holders travel without delay.

In the case of P. they did manage to arrest the criminals, but while the investigation was under way, two of them lodged a complaint, asking that preventive punishment be substituted for them. The Tver Intermunicipal Court approved their request without taking investigators' arguments into account. A little later, a third accomplice was also released on bail of R100 million. All three are now living happily in one of the countries mentioned previously, and the case is in its second year already in the Tagan Intermunicipal Court. There are quite a few examples like this...

According to information from the Economic Crimes Main Administration of the Russian Ministry of Internal Affairs, crimes involving malfeasance, primarily bribery, are among the most important today. In the first quarter of this year alone, 5,200 cases were revealed, but we still have no laws to combat corruption and the legalization of criminal income. This means that the shadow economy has not been cut off from the healthy economy, and this is why it is especially difficult to combat crime in this area.

As the investigators joke bitterly, our laws in this area work well in only one case: when a person who has committed a crime confesses to it himself, appears in court himself, and carries out the sentence himself. This does not happen often, as you know...

*Supreme Court Decree Explaining Property Crime Laws

954E1036B Moscow ROSSIYSKAYA GAZETA in Russian 31 May 95 p 5

["Text" of "Decree by the Russian Federation Supreme Court Plenum on Certain Questions in the Courts' Application of Laws on Responsibility for Crimes Against Property"]

[FBIS Translated Text] In connection with questions which arise in the courts in applying laws stipulating responsibility for crimes against property (Chapter 5 of the RSFSR UK [Criminal Code]), the Russian Federation Supreme Court Plenum **decrees:**

1. That it be explained to the courts that property which belongs to someone else—that is, is not owned or legally possessed by an accused person—is the object of theft and other crimes, responsibility for which is stipulated by the standards in Chapter 5 of the RSFSR Criminal Code. Inasmuch as the law does not stipulate the differentiation in responsibility for these crimes depending on the form of ownership except in Parts 2 and 3 of Article 147-1 of the UK RSFSR, determination of this may not be considered an obligatory element in formulating the charge against an individual when criminal proceedings are instituted.

2. Cases involving crimes against another's property, including state property, are cases with public charges and do not require preliminary investigation or a court examination of the consent of the owner or other holder of the property which is the object of criminal encroachment.

3. In ruling on the presence of a crime stipulated in Parts 2 and 3 of Article 147-1 of the RSFSR UK in the actions of an individual, based on the theft of state property through misconduct of an official in the use of his official position, the courts should keep in mind that state property is only the property owned by the state and assigned to state enterprises and institutions for their possession, use, and disposal.

The property of various legal entities whose charter capital includes state funds may not be considered as state property.

The theft of property entrusted to the person charged has to be described as misappropriation or embezzlement of another's property.

4. An organized group is considered to be a steady group of two or more individuals, united with the intent to commit one or several crimes. As a rule, such a group is characterized by a high level of organization and planning, thorough preparation for a crime, assignment of roles among the accomplices, and the like.

5. Encroachment on property for which responsibility is stipulated by Articles 148-1 and 148-2 of the RSFSR UK differs from theft in its purpose, aimed not at the use of another's property by the person accused or by other individuals, but at illegal temporary use of this property for mercenary or other ends without the consent of the owner or other holder.

6. Determination of the value of property which is the object of a crime has to be based on the conditions under which it was acquired by the owner and on state retail, market, or commission prices at the time the crime was committed. In the absence of a price, value of the property is based on the conclusion of experts.

In determining the amount of material loss resulting from criminal encroachment, it is necessary to take into account the value of the property on the day that a decision is made on compensation for damage and its subsequent indexing at the moment the sentence is carried out in the procedure stipulated by Article 369 of the RSFSR UPK [Criminal and Judicial Procedure Code].

7. In deciding whether there is an indication that substantial harm was done to the property of the owner or other holder in actions by the accused, this should be based both on its value and other important circumstances. In particular, they may be the economic status of a natural person, the financial status of a legal entity, or the importance of the lost property to the owner or other holder.

The qualifying indication of Part 2 of Articles 148-1 and 148-4 of the RSFSR UK—"the cause of substantial damage"—may be incriminating only in the event that the consequence indicated actually takes place, caused by damage, loss, or destruction of property, for example.

The question of the amounts of major damage stipulated in Part 4 of Article 148 of the RSFSR UK is decided as it applies to theft on a large scale indicated in the annotation to Article 144 of the RSFSR UK.

8. Courts have to bear in mind that the commission of several thefts of another's property, including state property, whose overall value is 200 times as much as the minimum wage, if they are committed by one method and under circumstances which attest to the intention to misappropriate on a large scale, should be considered theft on a large scale.

9. The special historical, scientific, or cultural value of articles or documents stolen (Article 147-2 of the RSFSR UK) is determined on the basis of expert conclusions, taking into account not only their value in monetary terms but their importance for history, science, and culture.

The value of other valuable property which is held illegally without the intention of misappropriation (Article 148-1 of RSFSR UK) should be comparable with the property indicated in the law (the means of transportation, a horse).

10. In evaluating an accused person's previous convictions as an indication whether he will repeat the crime, the courts must bear in mind that together with the Criminal Code articles enumerated in annotations to Article 144 of the RSFSR UK, repetition may be established by previous convictions for similar crimes, which have been stipulated by appropriate articles of the Criminal Code in earlier editions.

11. Previous convictions in other CIS countries after the USSR ceased to exist should not be cited in qualifying crimes, but they may be taken into account in assigning penalties for aggravating circumstances in conformity with Article 76 of the Convention on Legal Assistance and Legal Relationships in Civil, Family, and Criminal Cases in CIS Member Countries of 22 January 1993.

12. With respect to the question of a review of judicial decisions in an inspection procedure in cases of crimes against property, following the change in the edition of articles of the RSFSR UK which assign responsibility for commission of these crimes, it has to be based on the provision of Article 6 of the Criminal Code, which states that the law which removes the criminality and punishability of a deed or mitigates a sentence is retroactive and is extended to acts committed before its publication.

If the new edition of the appropriate article in the Criminal Code removes responsibility or provides for a more lenient penalty than under the law previously in effect, the court's decision, if the sentence of the person convicted is not served, is subject to review in conformity with Article 3 of the Federal Law of 1 June 1994 "On amendments and additions to the RSFSR

Criminal Code and the RSFSR Criminal and Judicial Procedure Code."

13. In connection with the new edition of Article 24-1 of the RSFSR UK, recognition of a convicted person as an especially dangerous recidivist is subject to exclusion from a sentence if the law in force does not provide grounds for such recognition.

In cases where recognition as an especially dangerous recidivist according to legislation previously in force has influenced qualification of crimes committed subsequently, a convicted person may not be recognized as such under the new edition of the law, and both the sentence in which he is recognized as an especially dangerous recidivist and all subsequent sentences which have not been served are subject to review.

[Signed] **Chairman of the Russian Federation Supreme Court—V.M. LEBEDEV**

Secretary of the Plenum and justice of the Russian Federation Supreme Court—V.V. DEMIDOV

*Law on Securities Market Assessed

954E1039A Moscow ROSSIYSKAYA GAZETA in Russian 2 Jun 95 p 13

[Article by State Duma Deputy Grigoriy Tomchin: "Law on Securities Adopted"]

[FBIS Translated Text] **A law on the securities market has finally been passed by the State Duma after extensive adjustments. This is the first of the pieces of legislation which regulates one of the most important aspects of the market. The state should regulate this part the most for any very liberal economic system.**

Until now, despite the fact that more than 3,000 investment institutions are operating in the securities market with volumes reaching tens of trillions of rubles, there has been no law to regulate this market. Securities transactions have been regulated only by the president's edicts, government decrees, and normative documents issued by ministries and departments. Unfortunately, the lack of a federal law has led time and again to criminal activity in this field, failure to protect investors, a continuing struggle by state organs for domination in the market, and other economic growth crises.

Now a law is ready. It represents the two important parts of the process: banks and brokers on one hand, and investor-issuers and stockholder-issuers on the other hand. In other words it represents those in whose interests it was written, and it is based on a compromise between these forces of a continuous bilateral process, which, by the way, also makes it work, since as in many cases this is a law of direct action. It protects the small stockholder and faces the seller with inevitable punishment for unfair practices in meeting his obligations. A security is an obligation, in any event.

It is also important for Russian legislation that the concept of mutual fairness, as applied in world practice, was introduced for the first time here. World experience teaches that in similar self-regulating organizations of brokers, an organization cannot exist if one of the partners has cheated his neighbor. The one who has cheated leaves the system in this case, and this is how the new morality of new civilized market relationships is displayed.

*Law 'On Securities Market' Positively Assessed

954E0947C Moscow SEGODNYA in Russian 4 May 95 p 11

[Article by Pavel Kuznetsov: "Summer Change of Rules of the Game. The Final Say in the Dispute Over Bearer Shares Goes to the Securities Commission"]

[FBIS Translated Text] Strange as it seems, the fate of the law "On the Securities Market" is shaping up well. In the last Wednesday in April it went through a second reading in the State Duma, which means it is all but passed. The concluding stage of its review in parliament is most likely in late May and early June, and unless something bad happens, starting this summer the Russian securities market will operate by new and, undoubtedly, more civilized rules.

The draft law was introduced by Deputy Yevgeniy Bushmin last November, but the Duma Committee on the Budget, Taxes, Banks, and Finance first addressed it officially in March 1994. Last summer the basis of the future law was laid down by the passage of a draft drawn up by the Working Center of Economic Reforms under the RF [Russian Federation] Government back in 1992, when there was not even a glimmer of a share market in Russia.

According to the law's drafters (mainly securities market experts from the Duma committee's expert council) its purpose was to resolve conflicts that inevitably arose during the functioning of a market of such specific commodities. In its autumn report, the working group proceeded on the basis that the law should not protect anyone, it should only help to resolve disputes by providing a system of concepts in which the structure of the securities market may be discussed. However, the draft underwent changes providing for greater disclosure of generally accessible information (and, in that sense, protection for investors), including the contents of issue prospectuses and the quarterly reports of securities issuers. The law has a stronger section regulating advertising—for example, it forbids any indication of the proposed amount of earnings or predictions of market value growth.

For the first time, our laws are coming to include concepts of inside information and prohibitions against using it to make stock deals—what in the West is called *insider trading* and is harshly punished. In describing various types of stock activity— brokering, dealing, depositing, clearing, registration, and so on— the law (this is very important) in all cases defines them functionally rather than by name.

The law sets the precise duties of the keepers of stockholder lists (who are key figures in transferring ownership rights) with respect to the owners of securities; these duties largely strip registrars of their former monopoly of information concerning the owners of an enterprise. For persons holding over 1 percent of voting shares, the registrar has to supply data on all the holders of shares of a given company. The draft law tries to keep pace with practice and regulate the kinds of relations in which conflicts are already occurring. This is very clear on the example of registrars raking off a percentage of the cost of re-registering stockholders: The law will strictly forbid this kind of remuneration. The maximum fee for the services of the keeper of a list for entering data and issuing abstracts will be set by the Federal Commission. By the way, the fact that the registrar business constitutes the only form of activity on the share market which cannot be combined with others is one more proof of the close attention being paid to it.

At first, the legislators' scope did not take in all securities but only some kinds (although the actual form of the paper is not important; they can even be nondocument)—the so-called "emission" kinds, which are similar to one another in processes of issuance, circulation, and repayment. They did not include commercial and nonemission securities such as notes, bills of lading, checks, and so on. For emission papers, use is made of a common infrastructure of the organization of trading and dealing in them and, therefore, a single system of regulation and resolution of conflicts is possible.

The Federal Commission on Securities and the Share Market was happy with the final version: In the opinion of its sponsors, the draft law was greatly improved by going through the Duma. The law names the Federal Commission as the sole state body implementing regulation in the market (earlier the State Property Committee, the Central Bank, and the Finance Ministry were listed as possible candidates for the role of exchange regulators).

However, Mr. Vasilyev, executive director of the Federal Commission, does not believe he wasted his time working in parallel on amendments to what would seem now to be unnecessary government decrees, No. 78 and No. 601 (unnecessary because of the forthcoming passage of the law "On the Securities Market")—for two reasons.

First, it will take several months for the law to go into effect, and meanwhile participants in the market will have to operate by the new rules, which will make adjustments. By the way, according to officials of the Federal Commission and the leader of the drafting group, changes to Decree No. 78 were made with a view toward the content of the future law, and therefore "they are 95 percent in line with its provisions." Second, the amendments to Decree No. 601 concerning joint-stock companies still has a long life ahead: At best, the law "On Joint-Stock Companies" that has been postponed so many times, will not be passed until the end of this year.

In late March, during discussions in the Duma Committee, communist deputies tried to introduce two radical changes in the future law "On the Securities Market," which would largely distort the drafters' original purpose. The broad rights granted to self- regulating organizations of professionals (including not only associations of brokers and dealers in the nonexchange market but also the exchanges) were supposed to be removed from the law along with the very concept of self-regulated organizations. Several days after the discussion another unpleasantness occurred—several members of parliament proposed to amend the text by mentioning bearer shares, and we already have sad experience with the circulation of those.

As usual, a compromise carried the day: As a result of the Duma vote the chapter on self-regulated organizations was retained but did not mention the right to license market participants—these powers were assigned to the Federal Commission. Nevertheless, the law's drafters are optimistic: The organizations of professionals are created not so much for the sake of licensing but rather to establish more rigorous (compared to minimum requirements) standards and rules of behavior in the market, including with respect to information disclosure. According to Mr. Bushmin, the same principle of self-regulation of participants in the financial markets through associations, is also to be used in laws now in preparation, namely "On Nonstate Pension Funds" and "On Investment Funds."

At the same time, as a result of the parliamentary debates the concept of bearer shares was also kept, though with the proviso that their issuance is permitted as a particular percentage of the paid charter fund. This level is fixed by the Federal Commission, and it means that theoretically the commission could set it at zero. Although the commission is against common shares payable to the bearer which do not give their owners any rights in corporate management but do increase the likelihood of machinations, it does not in any way block the distribution of bonds and preferred stocks payable to the bearer—the kinds of securities which yield earnings but do not involve participating in company management.

The passage of the final law "On the Securities Market" will probably be very useful and beneficial to Russia, and let us hope that the current parliament will bring it to completion. Three years ago this country had virtually no securities, and even theoreticians could only dream of a specific law. Now the sector of corporate shares has a volume of at least 40 trillion rubles and is growing much more swiftly than the normative base that regulates it. Every day that passes until the law goes into effect is costing lots of money in the form of investments that are not made in Russian securities.

*Need for Law Regulating Promissory Note Procedures Assessed

954E1030B Moscow SEGODNYA in Russian 20 May 95 p 6

[Article by A. Dubinskaya: "Law on Promissory Note Will Facilitate Life for Producers and Banks"]

[FBIS Translated Text] Economists regard electronic money as the tomorrow of the Russian payments system, while today its reality is promissory note circulation which is already coming to symbolize the developed nature of private law in Russia. According to data of the State Committee for Statistics, the level of nonpayments was decreased by 20 percent in the Tver, Tula, and Yaroslav oblasts and the other eight regions through the use of that financial tool which facilitates mutual settlement of accounts. A practical conference on the utilization of the promissory note in the financial system of Russia was conducted in Moscow on 23 May on the eve of the adoption of the federal law on the promissory note under the aegis of the Banking Business Center and the Association of Russian Banks. Leading experts of the Ministry of Finance, the Central Bank, and the Ministry of Justice, as well as representatives from the Internationaleniderlandenbank, Deutsche Bank, and Ost-Vest Handelsbank participated.

After two years of experience in conducting mutual accounting on a cashless basis, as well as accounting and the technology of distributing the promissory notes and issuing promissory note credit, it is finally time to regulate banking operations with these securities. It is sad but true that even though some of the banks, which have already recognized all of the benefits offered by paying with rubles or currency promissory notes with various par values as reliable debt applications, have acquired a faultless reputation among their clients. Many have utilized promissory notes recklessly as a means of increasing their deposits. According to the statistics of the Moscow City Court of Arbitration, the well-known Kapital Bank, registered in Omsk contrary to banking laws—manipulating open-ended promissory notes with the dates of payment not indicated in them, which in essence, in this case constitutes common loan contracts—has already managed to attract some 17 billion rubles [R]. At the same time it repaid indebtedness to only a few of the investors; finally it had to sacrifice its license.

According to Olga Chernikova, the leading expert of the Securities Administration of the Central Bank of Russia, while the Ministry of Justice, the Ministry of Finance, the Central Bank, and other major agencies are coordinating the last few corrections in the future law on the promissory note and while the issuance of new series of promissory notes by commercial banks is not being registered at the Central Bank, the temporary statute on the rediscounting of promissory notes became the lever for regulation of promissory note circulation from the end of 1994. The basis of that document which, in essence, represents the draft law on the promissory note, consists of the 1930 Geneva Convention on the promissory note and the bill of exchange, which was signed by the former Soviet Union back in 1937 but with consideration of the peculiarities of our national economy. The scheme with promissory notes proposed by the Central Bank, which differs somewhat from the classical western scheme, is optimal for our system of settling accounts. The Central Bank of Russia believes that it will allow the producing enterprise to write a promissory note itself and receive money for goods not from the debtor but from the commercial bank servicing it, which will sharply diminish the time required for settling accounts among the regions. According to statistics of the State Committee for Statistics, creditor indebtedness to banks amounts to not more than 5 percent. It is specifically for that reason that the promissory note, in the opinion of the participants of the meeting at the Banking Center, is a trump card, mainly of the market oriented remote areas with inadequately technologically equipped types of production such as the Urals, the Upper Volga Region, and others.

According to Nadezhda Zakharova, chief of the Department of Legislation on Entrepreneurship of the Ministry of Justice of the Russian Federation, one will not have to wait long for a law on promissory note circulation in

Russia. Taking into account the prolonged procedure involved in coordination work, it will probably be adopted by the end of 1995, following the law on the securities market, which is presently being heard for the second time at the State Duma. The main focus in the legislation on the promissory note, according to her, was placed by the Central Bank on elaboration of typical contracts between the commercial bank and the Central Bank of the Russian Federation on the rediscounting of promissory notes, on forms of registers and requirements with regard to the completion of promissory note blanks. The Ministry of Justice, however, focused its attention on simplifying the procedure involved in protesting a bill involving the activity of notary offices. It is planned to accelerate the procedure involved in examining cases in courts involving the protesting of a bill on the basis of the recent changes in the Civil Procedural Code which are already being studied by the State Duma.

*Security Council Presents Draft Law on Commercial Secrets

954E1030A Moscow SEGODNYA in Russian 19 May 95 p 2

[Article by M. Lantsman: "Law on Commercial Secrets Will Equalize Rights of Government and Private Business"]

[FBIS Translated Text] **But paternalistic concern of the state for informational security of the businessmen will be preserved.**

Vladimir Rubanov, deputy secretary of the Russian Security Council, presented the draft of the law on commercial secrets at the hearings of the Chamber of Trade and Industry on 17 May. Informational security of entrepreneurs against competitors and the criminal world, as noted by Mr. Rubanov, plays an important role in the legal regulation of economic activity. Commercial information become a commodity long ago. Contemporary legal practice in Russia, however, still lacks the concept of a commercial secret, to say nothing of mechanisms for protecting entrepreneurs. At the same time the market of services for protection of commercial information is forming spontaneously, regardless of whether there is a law or not. Absence of a law on commercial secrets, as noted by one of the elaborators of that law, Petr Nikulin, who is responsible for the protection of intellectual property at the Gazprom concern, is a black hole through which Russian rubles flow abroad.

The point of departure for creators of the law consisted of the law of the Russian Empire on protection of hunting grounds and the legal norms which were in effect in EC countries. The combination of prerevolutionary traditions and enlightened European norms made it possible for the authors of the draft law to draw a clear legal boundary between state and commercial secrets. The fundamental difference, according to Mr. Rubanov, consists of the fact that the protection of a state secret is regulated mainly by criminal law whereas questions concerning commercial secrets relate to private law and are resolved in civil courts. In that case the state, as owner of the commercial information, has equal rights with private entrepreneurial structures. The law provides for the licensing of all types of services for the protection of commercial secrets. The right to issue licenses was granted to the Federal Agency for Government Communications and Information. In the opinion of Mr. Rubanov, the Entrepreneurship Security Council, created in the TPP [Chamber of Trade and Industry] must prevent FAPSI [Federal Agency for Government Communications and Information] from monopolizing the market.

Still, according to Mr. Rubanov, tendencies of government paternalism are noticeable in the draft law. For instance, state organs (MVD and the tax inspectorate) are not limited in their access to information of private firms. At the same time representatives of the business circles who appeared at the hearings complained that it was specifically the dishonest officials in government agencies who are the informers to the criminal world. Government paternalism, in the opinion of the businessmen, extends only to the large industrial enterprises which are capable of defending their interests without any help. The medium and small business, however, feels the lack of paternalistic concern by the government. Critics of the draft law believe that responsibility of state officials for dissemination of commercial secrets must be included in the existing criminal code. Both the authors and the critics, however, agreed that the matter is an urgent one and the law must be adopted regardless of its imperfections.

*Violations of 1995 Budget Law Alleged

954E1013A Moscow ROSSIYSKAYA GAZETA in Russian 24 May 95 pp 1-2

[Article by Natalya Bachurina: "Forgery Has a Perpetrator"]

[FBIS Translated Text] A little more than one month has passed since Russia, finally, received the law "On the 1995 Federal Budget," which entered into force on 7 April after publication in ROSSIYSKAYA GAZETA. The journalist investigation, which was published on our pages on 6 April in the article "A Loophole for Aunt Masha," shed some light on the manipulations behind the scenes concerning amendments to the draft law in the State Duma Committee on the Budget, Taxes, Banks, and Finances. It was a matter of how, as a result of risky games, with the obviously unsportsmanlike conduct of committee chairman M. Zadornov, in particular, ROSSIYSKAYA GAZETA itself suffered. In secret from deputies it "fell out" of state financing in a separate line in the final version of the text of the draft law precisely on the eve of its fourth, and last, reading, which presupposed the adoption of this document as a whole, without any debates.

Judging by the free handling by the Budget Committee of the amendments to articles regarding the media, it was possible to assume with a sufficient measure of confidence that such a "surprise" was not the only one. And it was not.

On 17 May, at the very last moment of the plenary session of the State Duma, when the membership got tired and thinned out considerably, the speaker invited M. Zadornov, chairman of the Committee on the Budget, to the rostrum. Many people waited for a long time for explanations, though belated, but honest, from him. Not only in the Committee on Information Policy and Communication and in the Subcommittee on the Press. The most serious complaints were also lodged by the Committee on Education, Culture, and Science. They were lodged not today, but hot on the trail, immediately after the adoption of the budget. No one was able to receive a clear answer for two whole months. What Mr. Zadornov rattled off in a patter on 17 May, in essence, could not be called an answer either. Deputies never found out who and on what basis intruded into the text of the draft law, like a bull in a china store. M. Zadornov's reference to some nameless "jurists" did not convince anyone.

Let us turn to the facts. As early as 17 March there was an official inquiry by A.Ye. Shabad, a deputy from the Russia's Choice faction and member of the Committee on Science, which in addition to M.M. Zadornov was also addressed to Minister of Finance V.G. Panskov and Minister of Science and Technical Policy B.G. Saltykov. During the preparation of the draft budget for the fourth reading in the State Duma—the deputy was indignant—"an unestablished structure was introduced into it—with the complete ignorance of the Committee on Education, Culture, and Science—changes which radically revised the principles of financing of science previously coordinated with the committee...." He explained how, after such a "revision," if the law on the budget is followed strictly, applied research will simply have to be closed at eight Academies of Sciences and their departments. With regard to the Agricultural Academy and the Academy of Arts, they, owing to the "tricks" of the same "unestablished structure," will be forced to live on starvation rations. The reason in both cases is the same: The money allocated by the specialized Duma Committee on Science for fully determined purposes and for fully specified addresses went to other addresses and even in an unknown direction.

As is evident from the Report on Changes in Indicators of the Draft Law "On the 1995 Federal Budget" submitted by the Committee on Science, 53 billion rubles were literally taken out of the pocket of the Russian Academy of Agricultural Sciences. This is by no means the only "correction" regarding the financing of the most vulnerable and delicate sphere of the present Russian economy. Did the linguistic and legal expert examination of the draft law between its third and fourth readings really consist of this? According to A. Shabad's testimony, the "experts" were so carried away that they even committed an elementary arithmetical error, as a result of which the Russian space research program also was almost short of more than 19 billion rubles. Why "almost?" Because some amendments got into the text of the law even after the Duma had voted for it finally and irrevocably. Thank God, the space researchers were lucky: The money, nevertheless, was returned to them. But only when on 31 March, half a month after the adoption of the law by the State Duma in the fourth reading, the fifth version of the text cleaned up somewhere behind the scenes was sent to the Russian Federation president for signature. Incidentally, this money was not taken out of the air. It was "torn away" from the Ministry of Science and Technical Policy, to which by the fourth reading, without coordination with the specialized committee, unknown well-wishers had added more than 72 billion.

The inadmissible changes made in the draft law on the budget after the third reading, A. Shabad sadly summed up then, in the middle of March, broke up the concept of restructuring the financing of science coordinated between the Ministry of Science and the specialized Duma committee, without which there will not be enough money for the survival of science. "Nothing can be done now," the deputy wrote, "but the fact of the serious forgery should be evaluated properly."

Things are called by their names: A forgery is a forgery. Such an accusation cannot be brushed aside. Protocol No. 126 dated 23 March of this year of the Council of the State Duma established a commission consisting of L.P. Rozhkova, chairman of the committee on science, her deputies V.S. Shevelukha and N.N. Vorontsov, and A.P. Pochinok, deputy chairman of the Committee on the Budget. Since then this commission with its full complement has never met to check the facts of changes in indicators of the 1995 budget. Aleksandr Pochinok did not honor it with his attention even once. Here is a quote from an appeal to I. Rybkin by L. Rozhkova and V. Shevelukha, who were completely unnerved:

"Repeated attempts to investigate with the commission's full complement the cause of Deputy A.P. Pochinok's refusal did not lead to positive results. Only on 19 April did A.P. Pochinok address a letter not to the commission, but to V.S. Shevelukha, one of the commission members, in which in an incorrect form he tried to justify the grossest violations of the approved procedure for the examination of the draft law "On the Russian Federation 1995 Federal Budget" committed by the Committee on the Budget. As is well known, the Committee on the Budget, Taxes, Banks, and Finances had no right to make any amendments to the budget figures after the approval of the draft law at the third reading. Despite this, during the night of 14-15 March the committee made 14 amendments, which M.M. Zadornov did not report at the meeting of the State Duma.... The committee changed two indicators even after the fourth reading of the draft law...."

Viktor Stepanovich Shevelukha gave us a copy of the mentioned letter by A. Pochinok. It turns out, if we believe Aleksandr Petrovich, that on 14 March of this year a certain "working, intermediary budget version" was distributed to factions and committees "for preliminary familiarization." Why such complications? "In order to clarify possible errors and to fully take into consideration deputies' amendments adopted at the third reading." Gentlemen, learn office casuistry if you want to pass off white as black and vice versa! However, you will be surprised even more when you find out from the same letter that "voting on the version of 14 March did not take place."

"What kind of attitude toward such an acute problem is this?" Viktor Stepanovich is outraged. "And what is more, after I have tried four times to include in the agenda the matter of the substitution of figures in the budget for the financing of science. What does this indicate? That no one was caught red-handed? Or unwillingness to identify the swindler in the person of the committee on the budget?"

No one has yet answered these questions. Incidentally, nor did the Committee on Science uncover the substitution of figures right away. And here is why: According to the testimony of the same Shevelukha, only later in the evening of 14 March in the box of every deputy was there the version of the draft law, which A. Pochinok later would call "intermediary" (it is interesting, from which regulation is this?), but in which deputies discovered no "surprises" for themselves—everything was precisely as the specialized committees agreed with the Committee on the Budget. Early in the morning of the next day, before the very beginning of the fourth hearings on the budget, there was quite a different document in the deputies' mail. Where did it come from? Miracles, and nothing else!

Personally I do not believe in such miracles. Most likely, the evening and morning versions of the draft law were prepared simultaneously for the purpose, please excuse me, of lulling, in the literal and figurative sense, the vigilance of most deputies. This was achieved.

The fourth hearings were in full swing. M. Zadornov was silent, like a partisan, about the changes in the text of a document most important for the state, but the deputies woke up. Having flipped through the papers proposed for voting, the same V. Shevelukha uncovered discrepancies and openly asked M. Zadornov how what had happened could have happened. Strange as it seems, G.V. Kulik, Zadornov's deputy chairman of the committee, was no less amazed at the financial "neologisms" than the academician. Only A. Pochinok was wide-eyed: There is something, he said, to make a fuss about.

This is how things are. Another letter by A. Pochinok, in which on 12 May he justifies himself in every possible way before I. Rybkin for his avoidance of work in the commission established by the Council of the State Duma, could be added to their bitter substance. It could, but it is not worth it.

I will discuss something else. Do you know whom the Duma Committee on the Budget managed to deprive of its share? This is what Ye. Lakhova, chairman of the Women of Russia faction, reported to I. Rybkin:

"In the text of the law sent after the voting by deputies of the State Duma to the Federation Council....the volume of funds allocated for realization of the program 'Russia's Children' was reduced by 20 billion rubles. Indicators of the volume of the federal program 'Safe Motherhood' were also reduced respectively...."

In the last case, "reduced" is putting it too mildly. Nothing has remained from the planned financing: only 1.1 billion rubles. The remaining 26.65 billion rubles evaporated from the law in the most cynical manner.

The 17 May meeting ended with nothing. I.P. Rybkin proposed that the discussion of this topic be continued next time. However, the problem of violations in the law on the budget never was included in the agenda of 19 May. The following proposals were put aside till better times: to admit the very fact of committed violations, to order the Committee on the Budget to prepare a draft law on restoration of the budget sums approved at the third reading of the draft law "On the Russian Federation

1995 Federal Budget," and to call the individuals who permitted arbitrariness to account.

However, one decision, nevertheless, was adopted: To instruct the Committee on Legislation and the Committee on the Budget to urgently prepare a draft law on the introduction of changes in and supplements to the Criminal Code, the articles of which must provide for criminal responsibility for nonfulfillment of the law on the budget. Of course, the measures are strict, but otherwise the perpetrator of any forgery will never be found....

*Draft Civil Code Provisions on Buying, Selling Examined

954E1039B Moscow ROSSIYSKAYA GAZETA in Russian 2 Jun 95 p 12

[Article by Vasiliy Vitryanskiy, deputy chairman of the Russian Federation Supreme Court of Arbitration, and Stanislav Khokhlov, executive director of the Civil Law Research Center attached to the Russian Federation president, explaining published sections of the draft GK, Civil Code, which they wrote: "Buying and Selling, Grants, and Rent"]

[FBIS Translated Text] Publication of provisions in the draft of the second part of the Civil Code (Chapters 30 to 34), devoted to buying and selling, barter, grants, and rent, is being concluded in today's issue. These contracts establish the basis for transferring the right of ownership of different types of property both in concluding major commercial operations and routine everyday transactions.

The draft retains the traditional definition of buying and selling (Article 454). The draft proceeds from the assumption that the law cannot and should not regulate every step taken by sellers and buyers. The conditions of sale may be completely defined by them independently, as a general rule, and lengthy texts of contracts resulting from painstaking coordination are possible here. It is clear, however, that millions of sales are made by counting on normal rules for everyone. Precisely such rules are stipulated in the draft in the event that the sides do not consider it necessary to establish different sale conditions for themselves.

The only condition which participants in a transaction should always define themselves in buying and selling is the item involved. According to the draft, the question of what is being sold and bought is considered to have been agreed upon by the sides if the description and quantity of the commodities may be established from their contract (Article 455). Other conditions may not be specially stipulated. A significant number of norms in the draft are devoted to determining the product mix, the quality of the commodities, their packaging and wrapping requirements, and conditions related to periods of delivery, prices, and the settlement procedure. Accordingly, the lack of special instructions for these conditions in a specific contract may not serve as the basis for declaring the contract unfulfilled.

What has been stated does not eliminate the need to establish requirements for obligatory coordination of a broader range of conditions for individual types of buying and selling. Such requirements are made in the draft for contracts involving power supply and sales of enterprises, for example. Moreover, it is precisely the presence of additional important conditions in buying and selling that is one of the basic criteria for singling out its individual aspects (delivery, retail buying and selling, contracting, and the like).

In following domestic and world practice, the draft provides for strict guarantees of quality and the responsibility of sellers without restriction for violation of the requirements for commodities. The buyer's right to recovery of financial losses resulting from the purchase of an inferior commodity is unconditional. Together with this, any buyer may elect to demand reduction of the purchase price, elimination of a commodity's defects without charge, or compensation for his expenses to eliminate such defects (Article 474). An ordinary consumer who buys a commodity in retail trade, moreover, has the right to demand replacement of a poor quality commodity with one of appropriate quality (Article 502). At the same time, it should be taken into account that replacement of a commodity and its completion as a unit are actually possible if the buyer notifies the seller of the commodity's defects in good time. For this reason, the draft reflects the procedure for notification of commodity defects and the consequences of noncompliance which has taken shape in international trade (Article 482).

The standard market assumes that a law and a contract not only provide for the rights of buyers but the rights of those who receive money for their commodity. Clear-cut regulation of the buyer's obligations to receive and pay for a commodity is especially important under the conditions of today's nonpayments. The draft stipulates that the buyer must pay in full for commodities immediately before or after their transfer to him by the seller unless otherwise specified by the law or the contract or does not follow from the substance of the commitment (Article 485). In the event that the buyer fails to meet his obligation to pay, the seller receives the right to demand not only that the former pay the price of the commodities, but pay the interest for the use of another person's money.

Matters related to payment in advance for commodities are specially regulated (Article 486). If such a settlement procedure is stipulated by the contract but the purchaser does not meet his commitment in spite of this, the seller receives the right to refuse to turn over commodities or suspend fulfillment of his commitments. If the seller does not meet his commitments to turn over commodities paid for in advance to the buyer, the latter has the right to demand not only that the seller turn over the commodities paid for or return the advance payment, but pay the appropriate interest for the use of another's money.

Retail buying and selling was put in first place among the various forms of buying and selling (Articles 491-504). The "prescribed" rules here are basically obligatory in nature and are aimed primarily at providing for consumers' interests. They stipulate the seller's responsibility for improper information on a commodity (Article 495). Rules are set forth on the sale of commodities in accordance with samples, using vending machines, and with the condition of home delivery (Articles 496-498). Requirements for legalization of retail buying and selling have been brought into conformity with current practice. A contract of such a sale is considered concluded at the moment that the usual actions for such routine transactions are completed (issuance of a check, receipt of a commodity from a vending machine, and the like).

Wholesale turnover of commodities and relationships between professional sellers and buyers are designated traditionally in the draft as the delivery of commodities (Articles 505-521). Definition of the conditions for such commercial relationships is the business of its participants first of all. At the same time, there are recognized standards for commercial turnover which have to be stipulated in the law and applied in the absence of a different agreement between the sides. The draft in this section takes into account the rules established by the Vienna Convention on International Buying and Selling Contracts, in which Russia took part, as well as the standards which have taken shape in our country on the periods and procedure for delivery, making up deficiencies in the delivery of commodities, their selection, settlements for commodities being delivered, and the consequences for violating delivery conditions. Relationships involved in the delivery of commodities for state needs (Articles 522-528) and contracting for agricultural products (Articles 529-531) are among the special forms of delivery which have been regulated.

For the first time in our country, the draft provides for establishment of the rules for energy supply at the level of a law (Articles 532-542).

Enterprises have become a special commodity included in turnover today. Their sale as a whole, "in working order," assumes that the buyer will be transferred not only the buildings and equipment, but the seller's rights and obligations attached to the material basis of production. The complex relationships which arise in such sales have been regulated in Articles 543 to 550 of the draft. The obligatory requirements for legalization of the appropriate contracts (notarized certification, state registration, a complete inventory, an audit) have been provided for here. The rights of creditors of the enterprise being sold have been guaranteed. In particular, the seller and buyer are jointly responsible for the enterprise's debts which were transferred to the buyer without a creditor's consent.

A barter contract is the same type of contract as the one for buying and selling. For this reason, like the laws in effect, the draft regulates barter basically by extending the appropriate rules on buying and selling to it. The content of Chapter 31 of the draft is not limited to this, however. Widespread barter operations require the establishment of special rules as well. The provisions on compensation for differences in the prices for the commodities being exchanged (Article 552) and the norm under which the right of ownership of the commodity received in exchange is acquired by the buyer only after he turns over his commodity to the other side (Article 554). This is important for putting exchange like this in order.

The draft regulates the transfer of property for ownership free of charge—a grant (Chapter 32)—more comprehensively than current laws. Grants include not only physical and monetary gifts but concession of property rights without charge, as well as relief from property responsibility. When properly formalized, the promise to make a gift in the future is also given legal recognition (Article 566).

In order to prevent embezzlement under the guise of granting another's property and other property abuses, costs and restrictions have been established with respect to grants of state and municipal property, grants of the property of minors, and grants to state employees and employees of treatment and educational institutions (Articles 558 and 559). Special rules have been established which permit the cancellation of a grant when the grant recipient has taken action against the granter and those close to him, when valuable gifts are improperly maintained, and when bankruptcy laws have been evaded (Article 561).

Donations for purposes of general benefit are regulated as grants of a special type (Article 564). Donations are permitted without any authorization and consent in all cases. The use of donated property which is not in conformity with the purpose indicated by the donor is a basis for cancellation of the grant. As a whole, the norms for grants and donations, in particular, are aimed at establishment of a contractual basis for charge-free financing of charitable, scientific, educational, and cultural activity.

A plot of land, a house, an apartment, and property may be dispossessed; in exchange for this, a commitment is made to provide the former owner of this property with monetary or other material maintenance (rent). In the past, such commitments were limited only by the relationships involved in the sale of individual houses by persons unable to work under conditions of lifelong maintenance. Today the basis for such restrictions no longer exists, and the need has arisen for legislation to strengthen the provisions on rent as a contract to regulate relationships which arise more and more frequently. Chapter 33 of the draft Civil Code (Articles 565-584) has been specially devoted to them.

*Expansion of Secure Automated System Projected

954E1019A Moscow KOMMERSANT-DAILY in Russian 24 May 95 p 9

[Article by Roman Prokolov and Igor Pichugin: "FAPSI Is Ready To Catch Russia in a 'Business Network'"]

[FBIS Translated Text] **As the result of the efforts of the RF Ministry of Communications and Goskomoboronprom [State Committee for Defense Industry] to unify the two exhibits "Communications" and "Ekspokomm" (until now the Ekspotsentr Joint-Stock Company and the American E. J. Krause Company have held them separately once every 2 years), communications workers and their clients have gotten a "Comtek" of their own. More than 400 companies from 30 countries participated in the Communications-Ekspokomm 95 exhibit held last week in Moscow. The presence of Russian telecommunications companies at the exhibit was very noticeable this year, but the real champion for attendance and interest was the stand where FAPSI (Federal Agency for Governmental Communications and Information) displayed its developments and achievements.**

The Theory of Electronic Convergence Applies in Russia Too

The intention of the organizers of the unified and now annual Communications-Ekspotsentr exhibit obviously went far beyond simply combining the two exhibitions. One of the manifestations of the theory of electronic convergence, which is the subject of much discussion today, is the qualitative merging of telecommunications and computer technologies. Communications means and services are increasingly becoming "smart," and computer technology is taking on communications functions in addition to computing functions. One of the most precise definitions of the new ideology of the world communications market belongs to the American company AT&T—Personal Computing and Communications. The Americans like to use a word with an obvious "communications" root, "coMMputers," even for their own personal computers, which are equipped with "transparent" interfaces to connect up to global information networks.

Communications-Ekspotsentr 95 showed that the new trends in the world telecommunications market have not bypassed Russia either. The stands of the first sectorial exhibits in Moscow were more like kiosks with imported telephones and office data processing systems. Then cellular "phones" and terminals for satellite communications became the "hits of the season." Now the exhibitors are offering multifaceted concepts on the principle of "one smart box," which allows the owner to exchange sound and video information with the whole world.

If we try to evaluate the exhibit's displays from the standpoint of the communications technologies that are most timely today, we can conclude: network technologies have supplanted wireless technologies. The ability to exchange various types of information quickly and with high quality is the main requirement for conducting business successfully. It is no accident that the leading communications companies gave the broadest presentation to so-called broad-band data transfer technologies such as ATM [unidentified] networks that make it possible to work in the video conference mode. Of course, to introduce ATM there must be high-quality cable lines, and therefore the first ones to demand this technology in Russia will likely be enterprises that have company networks.

The Kinship of Musicians and Communications Workers

European companies at the exhibit were grouped by nationality—Deutsche Telecom, Siemens, Bosch Telecom, and Philips gathered under the German flag, and the French and Finnish companies had consolidated stands. Telecom Finland, for example, turned its stand into an office for a contemporary executive with all conceivable communications technology at his disposal, from an ordinary telephone to multimedia systems, but France Telecom made what was perhaps the most elegant move. During the exhibit the French invited their partners and guests to the Danilov Monastery for a concert by the Nizhniy Novgorod Chamber Chorus. In the opinion of Nikol Vinichuk, head of FT's [France Telecom] Russian branch, both communications workers and musicians are engaged in "putting life into sound," but musicians facilitate human interaction with God while communications promotes interaction among people. In the past Russian communications workers have complained that the French have not undertaken cooperative work on such a broad scale as, for example, the Germans. "When they elect a new president in France, maybe things will start moving." The new president has been elected, and FT has concluded a contract with MGTS [Moscow State Telephone Service] to deliver 300 Minitel credit card pay phones to Moscow.

The American companies, by contrast, appeared individually, and some well-known North American operators who are actively working in Russia skipped the exhibit. The Sprint Company, in the words of its representatives, simply had not been able to "catch its breath" after Comtek. U.S. West preferred to strengthen its strategic partnership with the Ministry of Communications (KOMMERSANT has told about its participation in formation of the non-commercial Telecom Forum organization). Northern Telecom, which has changed its name to Nortel, was busy opening its own Moscow office.

On the other hand, AT&T presented its full program as usual. By the end of the exhibit the Americans—to the annoyance of Siemens, which has concluded a major contract with Gazprom [Gas Industry] to set up an institutional communications network—presented the first phase of its Sberkom [Savings Communication] satellite data transfer system, which is being built under contract with Sberbank [Savings Bank]. Motorola participated in the exhibit for the first time in several years. Upon conclusion of the exhibit the company intends to make a tour of Russian cities "with demonstrative appearances" (as Hassan Tavakoli, the new branch head, expressed it).

The Technological "Granaries of the Motherland"

The time has passed when the stands of the Russian companies huddled timidly in the corners of the exhibit halls, which were filled with the beautiful "show windows" of foreign companies. The organizing role of the Ministry of Communications and Goskomoboronprom can be seen clearly at the present exhibit. At its stand, Goskomoboronprom brought together the displays of such well-known defense enterprises as Energiya NPO [Energy Science-Production Association], NPO imeni Lavochkin, and Avtomatika [Automation] NPO. The organizations that define policy in certification of communications equipment in Russia—the main certification center of the Ministry of Communications (TsNIIS) and its St. Petersburg department (LONIIS)—have "had their coming out."

Perhaps it was the public presentation of FAPSI technologies that made the greatest impression. Representatives of this state organization did not have enough time to receive all the deputy, ministry, foreign, and other delegations at the stand (under the banners Relkom, Infotel, and Rostelecom). FAPSI presented the plan for an all-Russian data transfer network called the "Business Network of Russia," which is to be set up on the basis of the networks of Relkom and Infotel plus the Atlas-2 network formerly used for government needs, with full data protection. Specialists from the FAPSI scientific-technical center willingly told about the Fobos-KM digital long-distance ATS [automatic telephone exchange] and the institutional Satellite ATS (all equipment, needless to say, is protected against data leakage by both physical and cryptological methods). The Gamma telephone set, which is unattractive to look at, has processing capability comparable to five "pentiums" and ensures absolute confidentiality of communications. The Transputer processor, according to FAPSI representatives, has an operating speed of 10 billion operations a second, while computers of different brands that were used at the stand had the FAPSI symbol on them, showing that they were fully protected against network leakage and radio emissions.

We could continue the list of technologies presented by FAPSI, but a natural question arises: "Who is going to be involved in their commercial introduction?" Yuriy Shankin, deputy general director of FAPSI, had trouble giving a clear answer. In his words, Relkom, Infotel, and Rostelecom will likely operate the "Business Network of Russia," and cost-accounting subdivisions of the FAPSI scientific-technical center can engage in commercial activity. A public presentation of the capabilities of FAPSI was undertaken, Mr. Shankin said, at the instructions of the president, within the framework of conversion and in connection with the pseudoservices in data protection that have become widespread in the market. It is obvious that "data protection should be handled by professionals," but at the same time it is equally obvious that questions of price formation for such services are within the jurisdiction of a different kind of professionals.

FAPSI plays a much less defined role in realization of the president's edict on certification of all means of protecting data being transferred. In the words of General Director Aleksandr Alferov, deputy head of the administrative apparatus of the FAPSI who is in charge of work to develop the specific provisions of the edict, the agency, in its certification policy, will pursue one objective: to protect the Russian consumer from poor quality services for ensuring confidentiality of data being transferred.

There was an excellent connection between the FAPSI stand and the Siemens stand; they even had an optical fiber cable laid between them for video conference communication. This was not accidental; Siemens supplied part of the equipment for the "Business Network of Russia."

In general, "marriages" of Russian defense plants and foreign companies have become rather widespread. Within the framework of the contract between AT&T and Sberbank, the Americans are working together with the OKB MEI [MEI Special Design Bureau], an organization that works for the Russian aerospace and aviation industry. Another striking example is the Russo-Swiss enterprise Interantenna AMK, which gave its own presentation during the exhibit. This company intends to create an all-Russian paging network (at present it has been launched in Moscow only). The Swissphone Company (producer of the pagers) has already invested more than $1 million in this project, while the Russian partners have helped obtain frequencies and licenses. This was not hard for them; the Swiss simply called the president of the company "Mr. General." To a question about the status of the Russian side he answered with military precision: "I represent the Ministry of Defense."

*Continuing Struggle Over Privatization Procedures Detailed

954E1029A Moscow SEGODNYA in Russian 23 May 95 p 2

[Article by Aleksandr Bekker under the rubric "Politics/Economics": "Parallel Worlds"]

[FBIS Translated Text] Last week two superficially unrelated and little-noted events occurred. The ex-chairman of Goskomimushchestvo [State Committee for the Administration of State Property—GKI], Vladimir Polevanov, who crossed the political skies like a meteor, reminded people of himself by forming a voters' movement. And the State Duma rejected Goskomimushchestvo's proposal to repeal four 1992-1993 decrees of the former Supreme Soviet dealing with state privatization programs. On the whole these documents did not bother anyone in any way, but having lost effect and as "legal junk," as deputy chairman of the GKI Petr Mostovoy put it, from the formal-legal standpoint they should be repealed by parliament.

But the chairman of the Duma committee on privatization, Sergey Burkov, discerned in the GKI request an ominous underlying point and said that the government is trying to use the deputies to clear the way for an illegal extension of privatization. "We must temporarily halt its present stage and at the same time intensify control of Goskomimushchestvo," Mr. Polevanov said in a recent interview. To the journalist's question of a possible suit against Mr. Chubays, he answered that "everything depends on which forces come to power."

Opponents now want to carry out the dying dream of revising privatization "Chubays-style" through the political mechanism of elections. Mr. Burkov, incidentally, is part of the leadership of the "Congress of Russian Communities" headed by Yuriy Skokov.

A month and a half ago, obviously under the influence of the initiative of a consortium of banks (government credit to be used as security for the stock of privatized enterprises), six of the leaders of Duma factions, Mr. Lapshin, Mr. Glazyev, Mr. Medvedev, Ms. Lakhova, Mr. Zyuganov, and Mr. Zhirinovskiy, sent an open letter to President Yeltsin. They disagreed with the government's strategy oriented to advance sale of federal blocks of stock in base sector enterprises. "We must legislatively determine the particular sectors of the economy in which state property must be preserved, in what amount, and in what periods of time," the deputies announced, having clearly made the president understand that they did not intend to be in secondary roles in such an enjoyable pursuit as privatization.

And following that, in an article entitled "How To Get Out of the Impasses of Privatization," a deputy from the Liberal Democratic Party of Russia [LDPR], Aleksey Zvyagin, outlined what is not subject to destatization. Land and the interior, enterprises of the fuel-energy complex, the military-industrial complex, and forest industry, the sea and river fleets, air and railway transport, and all types of power plants. Be patient, the list continues: all vital enterprises in cities and villages, basic and applied science, large universities, and health care and cultural facilities. Mr. Zvyagin permits enterprises with more than 3,000 workers to be converted into joint stock companies, but under the condition that the state continues to own 51 percent or more of the stock. The LDPR member finished drawing the picture in a few strokes: introduce a special privatization exchange rate, 1 dollar per 1.2 rubles, after "freezing the nationalization of state property, that is to say, nationalize again, or rather buy stock from collectives and individual citizens at its face value."

It may seem that such an original version of "getting out of the impasse" is an expression of the psychological instability characteristic of some figures of this party. But a month ago the State Duma adopted in the first reading a law on the procedure for alienating stock and shares in capital stock of enterprises assigned to federal ownership. Here the list of strategic sectors is so inventive that anyone at all can be made to fit it. The confiscation of state shares will be ratified once a year at the government's submission by decision of both chambers of the Federal Assembly. But knowing the mood of the deputies, one can definitely say that nothing will be ratified—it will turn out that every tiny candle factory either has mobilization capacities or is a monopoly or fits into a technological chain of enterprises of vital importance to the state.

A curious situation has developed: the executive and legislative branches of power seem to exist in parallel worlds in terms of the question of privatization. The former, for better or worse, uses edicts and decrees to push the cart ahead, while the latter invents ways to stop progress instead of legislatively formalizing the state privatization program which has been lying in the Duma for over a year. The president issues an edict to ensure the budget's guaranteed receipt of income from privatization, while on a legislative basis the State Duma ratifies what is essentially a procedure for blockading stock in federal ownership. The government intends to build an All-Russian Coordinating Center in order to speed up cash auctions, while the State Duma adheres to the decrepit documents of the former Supreme Soviet. It is not yet a confrontation but truly a parallel existence, at times with elements of the absurd. In the letter to the president already mentioned, the six leaders of the factions write the following: "The privatization program should be legislatively ratified in the shortest possible time." That is like Boris Yeltsin writing to parliament that he is instructing President Yeltsin to issue an edict.

A year ago I appealed to the chairman of the Duma committee, Sergey Burkov: I gave him materials on the numerous violations of the law during the privatization of a strategic enterprise along with the request of the plant's employees for the State Duma's help. Mr. Burkov declined at that time. Today he is ready to save the motherland as a whole—all strategic enterprises. Today the committee chairman is proposing to revise the results of voucher auctions, cancel deals made during the privatization of aluminum enterprises, and return everything to the state so that afterwards privatization can be conducted anew and in no hurry, having pondered the mechanisms for preserving national interests. Both he and Mr. Polevanov allude to world trends. Yes, an absolute record for privatization was set in the West in 1994—a total of 50.8 billion dollars worth. Experts predict that overall at least 200 billion dollars worth of stock will be put on the market in the industrial countries of the West in the next five years.

*Lack of Legislative Support for Small Businesses Critiqued

954E0999C Moscow ROSSIYSKAYA GAZETA in Russian 19 May 95 p 2

[Article by Anna Kozyreva: "Outcasts With Stock: Half of Registered Small Enterprises Are Practically Not Operating. Why?"]

[FBIS Translated Text] The Federation Council has rejected the law "On State Support of Small Enterprise in the RF [Russian Federation]" which had been approved by the Duma, in view of the "unacceptability of some of its individual principles." The main reason is that the law contradicts certain articles of the recently adopted Civil Code.

Nevertheless, we cannot do without such a law. It must strengthen the legal basis for development of small enterprises and, like many decades ago, help to finally create a middle class in Russia. In developed Western countries it is specifically medium-sized and small enterprises which produce 60-70 percent of the overall volume of production, and in Japan—up to 80 percent. In other words, small enterprise is the basis of the market economy.

In the USSR, emphasis was placed on the development of large and very large enterprises. Today many of them find it difficult to reorganize and adapt to the new economic conditions. As a result, plants and factories are curtailing their product output and closing down, while the ranks of the unemployed are growing. Small business can provide new jobs, ensure rapid recoverability of expenditures, and give an impetus to the industrial uplift of the country. We know that in the countries of Eastern Europe the development of small and medium-sized enterprises is proceeding better than in our country. Then again, a private sector existed there even under socialism. We might add that today much is being said and written in these countries about small business. Special newspapers are being published. In short, public opinion is being molded, formulating the image of the entrepreneur.

Yet in our country there is practically no support for small business. And the class of owners is still not very discernible. Can it be that we are afraid of an economically free class? We have dulled our pens writing about how, for example, small private workshops can respond more quickly to changing fashion than large factories, sewing dresses, blouses, and suits and selling them in small batches. But things are still not moving.

Even quite recently all our hopes were pinned on privatization. However, for now they are not fated to be realized. Today over half of the country's population finds itself living below the poverty level. Monetary investments made "in better times" have become sharply devalued. Most of us do not have the initial capital and no means with which to start our own business. Credit is practically unattainable. First of all due to the high (up to 300 percent) annual interest rates, and secondly, due to the unwillingness of commercial banks to grant such credits to small firms in general.

A consultant at the Federation Council Analytical Center, Doctor of Economic Sciences Andrey Blinov, believes that the primary source for initial capital today is the transition of state property to private ownership. This source exceeds the amounts of the "shadow capital."

Those who open their own businesses, as a rule, engage not in production but in middleman operations. Moreover, small-scale entrepreneurs try not to invest the money earned from purchases and sales at home, but to transfer it to Western banks. Their logic is understandable: In our unstable economic situation the money might vanish, and they have no incentives for investing in domestic industry. There are no altruists among businessmen! However, while leaving their money in the West, many certainly do not want to emigrate. A businessman acquaintance of mine explains this as follows: "Only in Russia can I make big money. Only here do I have unlimited opportunities today."

In fact, by playing on the exchange rate of the dollar, by using the difference in markets and the raw material potential of Russia, it is possible to build sizable capital. A classic example of today's small-scale private businessman is the "shuttler." Tickets and bribes cost him $500. For $1,000 he buys cheap goods in Turkey and China, which he then sells at double the price on our material markets. His net profit is $500. Making two trips a month, the "shuttler" can even acquire some modest savings.

However, will he invest them in production? Many who would like to open their own business are frightened off by the prospect of giving all their profits to the state in the form of high taxes. And, after all, the plans call for replenishing this year's budget specifically at the expense of high taxes. In the opinion of Andrey Blinov, the main shortcoming of our country's economic policy is the attempt to change over to the market by command-administrative methods, ignoring the interests of the entrepreneur. Yet the logic of development demands movement not from the top down, but from the bottom up. Although, of course, under the current conditions the government must regulate the relation of prices and income of the population, so that you and I would be able to afford to buy the goods. And this, in turn, will serve as a stimulus for goods production.

There is one other problem which entrepreneurs encounter—racketeering. Experts believe that current racketeers are informed about every operation in excess of R10 million. The businessman is simply forced to enter into one grouping or another. And practically all of the economic space of Russia is divided up between the large groupings, which include banks, enterprises, and officials....

Today, of the already registered small enterprises, every second one is practically not operating, and half of those that are operating are engaging in something other than what is written in their charter. However, no exact statistics are kept on this. The situation may turn out to be even worse.

In the course of surveys, the following data were obtained: Four percent of Russian residents are owners or co-owners of enterprises; around 10 percent work in a new private business, and another 3 percent are engaged in individual labor activity. The survey, which was conducted by the VTSIOM [All-Russian Center for the Study of Public Opinion] among entrepreneurs, showed the following: Only 9 percent of them appraise their economic position as being good; 64.6 percent consider it to be average; and 26.6 percent—poor. Almost 90 percent of those surveyed cited the main factors exerting a negative effect on their business as being high taxes, insolvency of the public, and increased prices on fuel. Around 80 percent of the entrepreneurs do not receive any assistance from the state today, and 70 percent emphasized that officials cannot solve a single problem without bribes. We might add that, even quite recently, one had to pay $300,000 for permission to open a bank. Today it is even more.

"Small enterprises today are forced to live as if in the cracks of the state economy," emphasized A. Blinov.

Often it is impossible to get along without the state enterprise, as it is the monopolist. Here is one such example: The products of the farmers are processed by the state enterprise.

Here is a curious detail: On the whole, public opinion in Russia is not positive toward entrepreneurship. The former notions of the kulak-extortionist and the bloodsucking capitalist may be seen here. Nevertheless, each Russian citizen individually would not mind becoming a private owner and receiving high income.

What conclusions become apparent here? If we really want to create a healthy, multistructured economy, protected from the influence of the shadow structures, if we want to develop not middleman but production activity of domestic entrepreneurs, then state support for small business is a necessity. The law must provide the stability of the legal base, and give assurance of the fact that the changes in the country are "serious and for a long time." The law must also regulate the interaction of the private and the state sectors in the economy, and must define the rules of the game. And the money is there. There is over $50 billion of "our" money circulating in the West, and this money is creating jobs there. Yet we could use them here, in our own homeland.

*Author Outlines Reasons, Policy for 'Last Year of Crisis'

954E0947A Moscow SEGODNYA in Russian
5 May 95 p 9

[Article by Aleksey Ulyukayev: "Economic Policy in the Last Year of Crisis"]

[FBIS Translated Text] Why "the last"? Because this year, unlike the two preceding attempts to achieve economic stabilization (1992 and 1994), not only the intellectual but also the political and general economic conditions for achieving stabilization are in place.

1. In order to speak unequivocally of financial stabilization, it must be defined qualitatively and quantitatively. Generally, two types of definition are assumed: the purely qualitative and thoroughly political-hack-style: "Stabilization is the harlot of imperialism"—destruction of the national economy just to achieve formal indicators nobody needs; or the totally quantitative, which does not always correlate with political and economic reality—1 percent per month.

The wisest definition, I think, would be this: Financial stabilization consists of achieving an inflation level (predictable and controllable) that permits investments in the economy but does not at the same time cause a big recoil as a result of initiating excessive political and financial pressure on the government, with a corresponding decline in production.

An analysis of high-inflation economies shows that, first, where inflation is over 7 or 8 percent per month, inflation's structural factors are almost imperceptible. This is a general monetary phenomenon, and different economists with different institutional and production structures react very similarly to it. Where the level is lower, structural factors come into play (the lower the level, the more impact they have). Restating the classic phrase, we can say that all high-inflation economies are inflationary in the same way; every medium-inflation economy is inflationary in its own way.

Second, an inflation rate of 3 to 4 percent per month is determined empirically; at that rate, investments in the economy are possible and, in fact, do take place (data from over 40 countries).

That is, this level poses the necessity of financial stabilization. Unless the goal is achieved, there is no way to succeed in reforming the economy, no way to solve all the numerous institutional, structural, antimonopoly, microeconomic, social, and other tasks.

The possibility of financial stabilization is determined by the "nonrecoil level" (if it coincides with the investment-permitting level, stabilization is achieved; if it exceeds it—that is, if the numerical values of the inflation level are below the "nonrecoil level," anti-inflation policy breaks down).

Empirical data enable us to determine this "nonrecoil level" approximately (it is the level at which the economy adapts to financial policy, it is the structural-institutional background of inflation). It shifts around in time. In 1992-1993 it was about 8 to 10 percent per month; in 1994, 5 to 7 percent; in 1995, by our estimate, 3 to 4 percent per month.

2. Based on the above we can conclude that stabilization policy must proceed from the empirical fact that at very high inflation levels it is basically a purely monetary phenomenon—that is, the influence of structural-institutional factors is so insignificant it can be ignored. In this case, the inflation dynamic strictly follows the dynamic of the money supply, with some time lag (in our case, five to six months).

When people say that inflation is a nonmonetary phenomenon, we can even agree—on a high enough level of abstraction. At bottom, of course, inflation phenomena stem from structural distortions of the economy, its degree of monopolization, the structure of foreign trade, the economy's institutional features, and so on. The point, however, is that all these monetary factors are manifested only through the movement of money. That is, their form of existence in a money economy. Inflation is a nonmonetary phenomenon only in the sense, say, that democracy is a nonelectoral phenomenon (which also rests on deeply rooted historical, social, cultural, and ideological factors of a specific nature and a specific logic of development, but in practical life all of them can only be manifested through the electoral process).

3. In order to draw a conclusion as to the prospects of the 1995 stabilization policy—that is, the possibility of shifting inflation to a level that is simultaneously investment-permitting and "nonrecoiling"—we need to examine the characteristics of Russia's political and economic cycles in 1995.

The preceding, 1992 and 1994, stabilization attempts were characterized by a "two-stroke" cycle: The half-year period of tough monetary policy which took inflation to a level lower than the "nonrecoil level" of that time was followed, under the pressure of lobbyists, by a turn to soft monetary policy; the result was that inflation rose sharply again. The turning point fell at mid-year.

This was due to the following factors of the political cycle:

the "slackening" of the authorities after achieving a certain amount of stabilization comfort;

the seasonal activation of the most powerful lobby groups (the agro- industrial complex, the northern regions);

the worsening industrial decline, which created favorable soil for the "sagging" of the monetary policy;

the lack of control over the lobby-oriented wings of the executive branch during the period of seasonal decline of political activity;

preparations for important political events in autumn (the Congress of People's Deputies, elections to the Duma), including the purchase of social support through inflationary pumping of money into the economy.

In 1995, the political cycle has undergone important changes:

the executive branch has learned its lesson from the two unsuccessful stabilization attempts and has some reserve of inner confidence in the necessity of not retreating from stabilization efforts, and the prime minister has linked his own political fate to the success of the third attempt—in a certain sense he is even hostage to it;

a kind of "postwar" situation has developed: On the one hand, it is easier to conduct a tough budget policy and restrict uncurbed appetites; on the other hand, the role and influence of the pro- lobby wing of the government has definitely declined, in particular that of First Deputy Prime Minister Soskovets (interestingly, the idea of budgetary and financial toughness and inflation control first emerged in our modern history in late 1988—again a postwar, that is, post-Afghan, situation);

the most powerful lobby groups, especially the agrarians, are fully integrated in the interaction of the government and parliament (this was clearly manifested, for example, at the time the budget was passed); this greatly complicates the possibility of their "torpedoing" the government's financial policy;

preparations for autumn politics are going in reverse, so to speak: the executive branch's fate is not going to be settled directly during parliamentary elections at year's end, so the government can certainly afford to conduct a tough policy right up until it obtains positive results and converts them into political capital. And it is results (rather than the promise of results, the way it used to be) that can take it to the presidential elections.

4. The economic situation has its own fundamental characteristics compared with the three previous years:

in particular, its much smoother production decline—in the first quarter this year the gross domestic product fell by 5 percent compared to the same period last year (the decline in the first quarter of 1994 was 17 percent compared with the first quarter of 1993—3.4 times more). Changes were even more substantial in the dynamics of volumes of industrial production: a 4.5 percent drop in the first quarter of this year compared with the first quarter of last year. Against the background of the 23 percent drop in the first quarter of last year compared with the first quarter of year before last, the difference is more than five times. There are various reasons, which cannot be analyzed here; I will just say that they include the fact that volumes of production are coming into line with the level of effective demand, the fact that most Russian enterprises are adapting to market conditions and demand limiters, the positive influence of rising exports, the improving economic situation in the CIS countries, which reduce the donor load on Russia's economy, and so on.

The currency-financial situation is different: the amassing of substantial currency reserves, with $6.5 billion in IMF credit added to it. In this situation the Central Bank is conducting a more reasonable currency policy than a year ago, when it was supporting the ruble too vigorously without calculating its own strength. Now, in the early stage of stabilization, it is playing more against the ruble and essentially implementing a hidden devaluation of it (it has been possible to achieve a zero dynamic of the ruble's exchange rate against the dollar since early April); this minimizes the risk of the ruble's collapse by early autumn, when seasonal factors of pressuring it will still exist, though somewhat weakened.

After this hidden devaluation, essentially a fixed currency exchange rate will be introduced (but without any official announcement of it—under our circumstances, that would have a destabilizing effect on the currency market).

In this context we can easily return to the oft-condemned idea of "nominal anchor": the actual fixed exchange rate of the ruble reduces inflationary expectations and, consequently, also the money demand (here and henceforth, of course, "money demand" will mean ruble demand)

and slow down its rate of circulation, enabling the creation of ruble savings and, thereby, slowing inflation. The inflation level depends not only on the increase in the money supply but also the rate of money circulation.

This situation can foster the creation of an opportunity that is unique to the period of Russia's reforms: By surmounting inflationary expectations and substantially slowing the rate of money exchange, permit some controllable growth of the money supply for a single purpose, that of supporting positive tendencies in the dynamics of industrial production by creating some additional demand. If this operation is conducted properly, financial stabilization can turn into macroeconomic stabilization.

Positive changes (in terms of stabilization policy) are also taking place in the financial-banking structure. What this basically means is that Russia's largest commercial banks are turning back to our citizens. The fact is that one of the main factors in the collapse of stabilization efforts in 1994 was the cumulative effect of the growth and then the collapse of pyramid structures in the financial sphere, which hurled onto the currency market a huge additional demand for dollars at the worst time. At that time, the solid commercial banks were not even fighting for money from individual investors. Now the fundamental change in their strategy, based on an understanding that the main source of investments in Russia will come from citizens' savings (now amounting to tens of billions of dollars), will make such a cumulative effect impossible by tying up citizens' savings and substantially reducing the general norm of liquidity and the ruble's rate of circulation.

5. As for the main threats to the 1995 stabilization policy, they are to be found in the social sphere, which has a high degree of inertia in Russia. All the talk about inevitable hunger strikes and a huge social explosion as result of catastrophic unemployment (the figure of 15 to 20 million fully unemployed persons used to be named every year) remained nothing but talk, and the implacable opposition's plans were not realized. The decline in production volumes over the three years—to about half—was by no means accompanied by a similar decline in employment (by 2 percent according to official statistics, by about 10 percent using the ILO method).

We can assess this inertia quantitatively in various ways; in our opinion, the time lag is about three to four years. That is, we can expect this year a solid qualitative jump in unemployment, with all the acute sociopolitical problems ensuing therefrom.

Another "antistabilizationogenic" social problem is the standard of living. In the first quarter this year, real wages fell by 31 percent, and even considering greater possibilities of additional earnings, people's real income fell by 4 percent. This is an alarming signal. The situation is becoming especially critical in the social sphere sectors.

We need timely state measures of social support (especially for workers in health care, education, science, culture, communal services, and so on). This year is unique in that there is the possibility of making it nondestructive to the federal budget and the whole system of state finance.

The fact is that when this year's annual budget was being drafted and adopted, the gross domestic product was calculated unrealistically—that is, nominal budget revenues were essentially greatly understated. By our calculations, in reality budget revenues will be higher than the planned levels. I do not think this surplus should be used to reduce the size of the budget deficit; all the foregoing indicates that stabilization is entirely possible even at the budget's approved level.

It would have been wise to use the additional funds (around 25 to 30 trillion rubles) to form and implement an additional "social" budget with the strictly earmarked purpose of providing for workers in the budget-funded sphere. This would result in a substantially higher degree of social stability of the stabilization policy.

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*Entrepreneurs Unite To Gain More Political Power

St. Petersburg Branch Formed

954F2377A St. Petersburg
SANKT-PETERBURGSKIYE VEDOMOSTI in Russian
23 May 95 p 1

[Article by Yan Strugach: "Banker, Director, and Businessman Sat at One Table...."]

[FBIS Translated Text] As already reported, a group of Moscow residents—members of the All-Russian Association Roundtable of Russia's Business—visited our city last Saturday. Together with St. Petersburg entrepreneurs they took part in the meeting of this organization, which has appeared recently. The establishment of its St. Petersburg regional department, which was done, was the main objective of the meeting. V. Zhimirov, director general of the Almaz trade firm, was elected chairman of the presidium of the local department, and A. Nesterov, member of the organizational committee, and Yu. Lvov, chairman of the board of the St. Petersburg Bank, its first deputies.

However, those gathered devoted most of the time to a discussion of problems concerning the development and support of entrepreneurship. Here the situation is complex and at times delicate. The complexity lies primarily in the fact, it was noted at the meeting, that the Government of the Russian Federation, while talking incessantly about its leaning on the nascent class of owners, does little for its increase and enhancement of its role in public life. And delicacy lies in fact that few of those gathered, apparently, are familiar with the classic formulation of who an entrepreneur is. It is no accident that organizers of the meeting consider the fact that they have managed to seat at one table representatives of the new business in Russia, recent directors of state enterprises, and representatives of various financial structures a big achievement (and, in fact, this is so).

City Mayor A. Sobchak, who addressed them, also touched upon this topic, mentioning both those that established a business and earned millions from scratch and those that received a sizable share in the course of property redivision. In one way or another, now in St. Petersburg there is a representative office of the All-Russian Association Roundtable of Russia's Business, which at the moment of its birth appealed for the rallying of "responsible and economically active citizens for the sake of transformation of our life on the basis of free initiative and social creative activity." And so, today it only remains to wait for specific steps in this direction.

Association President Interviewed

954F2377B St. Petersburg NEVSKOYE VREMYA in Russian 23 May 95 p 1

[Interview with Ivan Kivelidi, president of the All-Russian Association of Entrepreneurial Unions and Organizations Roundtable of Russia's Business, by Igor Arkhipov; place and date not given: "About the 'Big Eight' and 'Six'"]

[FBIS Translated Text]

[Kivelidi] The need for such an association as the Roundtable of Russia's Business is connected not only with the imminent elections. Entrepreneurs who continue to remain disunited can simply be removed from the present process of state construction and be used only in the role of money bags. Entrepreneurship, finally, must become aware of its place in the country's life. We understand entrepreneurship not in a narrow professional manner. This is a state of the soul, and a significant part of Russia's population is in this condition, a population that is forced to undertake something (from "shuttlers" to bankers!), and these people today can freely engage in labor and freely trade in it.

[Arkhipov] Before heading the Roundtable you were chairman of the Party of Free Labor, which, contrary to hopes, never became the only spokesman for entrepreneurs' interests. Will the same lot not befall the Roundtable?

[Kivelidi] At that time we simply did not take into account that parties lose their significance, people lose faith, and party construction and the establishment of a disciplined organization as a mechanism intended for elections are impossible.

The functions of the Roundtable are broader than those of any party organized under a specific personality. It is not a political organization—we only supervise electoral associations connected with the Roundtable. Now we are establishing a bloc under the conventional name "New," which includes the movement of Irina Khakamada, the Party of Free Labor, Tikhonov's Consolidation Party, and, strange as it seems, trade unions. The circle of people who are willing, at least temporarily, to leave business and set out for the parliament to establish a normal legislative base has already been determined. At the same time, we do not reject the idea of teaming up with someone in order to establish large associations—only on a parity basis.

[Arkhipov] However, many large entrepreneurs, including those participating in the Roundtable, the so-called "big eight," are fighting for a postponement of elections. Does this signify a split?

[Kivelidi] In our country it is inappropriate to talk about some "eights" or "nines." Here all are "lackeys." We lackey those that, as before, distribute funds and control the not yet broken state-distribution mechanism. It is inadmissible to combine features of the socialist economy with the market when, forgetting the initial accumulation, they prefer to immediately take away everything from entrepreneurs and then to distribute from the budget. We now know how this is done. At first 14 trillion rubles are spent on the war in Chechnya and then, for example, mandatory reserve funds for banks are introduced, or there is a marasmic reservation of foreign currency, owing to which the Central Bank collects more than 30 trillion rubles, or doubles excises on the import of foreign motor vehicles....

There are directors who have been able to gear themselves toward the market and have realized their entrepreneurial vein. However, there are careless managers, whom the present semi-existence, while waiting for subsidies, suits. The "big eight," basically, is nomenklatura capital, the result of such a presently widespread joining of the state and business.

It is normal for such entrepreneurs if the government and the State Duma are in one person. It is regrettable that those that have received crumbs on the secondary market after the distribution of northern credits at times also talk about "stability"—let it be the way it is.

*Development, Support of Financial-Industrial Groups Urged

954E0999D Moscow ROSSIYSKAYA GAZETA 18 May 95 pp 1-2

[Article by Vyacheslav Goncharov: "The 'Russian Wave' in the Economy: On the Future of Financial-Industrial Groups"]

[FBIS Translated Text] At the expanded session of government which was held in the Kremlin and at which the three-year program for social-economic development of the country was discussed, one of the speakers timidly proposed a more rapid changeover of the newly emerging financial-industrial groups (FIG's) to taxation according to overall end product.

Specifically, such state support of FIG's is foreseen, but in the future. Yet today each enterprise of the new market structure is taxed, as they say, in full bore. These taxes are passed on to the production cost of the overall finished goods. Then, once again, there is a tax harvest. And as a result—an exorbitant, often noncompetitive price. On the whole, the state and society lose out.

This is tantamount to a situation where, before the spring planting, referring to objective economic difficulties, we were to bite off a little piece of each grain. We would probably ease our immediate hunger, but we would get a poor harvest.

Alas, in building the market relations which are new to us, we are also following our own path, clearly ignoring world experience. Which, we might add, tells us to give a unique tax credit on the "sowing grain." It is specifically such a mechanism that is the basis for program-target planning in breakthrough scientific directions in the U.S. as well as in Japan and other industrially developed countries. There, nontaxable raw material, commodity, and purely financial funds are handed over for revolutionary technological ideas, and their relative share determines the income from the end result. There, private capital unites with public without any antagonistic opposition. A private-public or public-private market structure is created. Privatization through socialization. And socialization through privatization. But without economic alienation of property.

Then again, these purely political-economic nuances today are a worry exclusively for us, as Russians, where the state plans exclusive support first for the private, then for the state sphere. Yet in the industrially developed countries, the end determines the means. Of course, the financial-industrial groups we are creating today look as much like the American target-program ones, operating exclusively on the fund economic management mechanism, as the first Russian automobiles look like modern race cars.

Yet we were not born yesterday. The flight of Yuriy Gagarin, for example, was prepared by a purely state financial-industrial group and was based exclusively on a target-program arrangement. On these same principles, robots for work at the Chernobyl AES [nuclear power plant] were developed in only a few weeks.

Even this very fund economic management mechanism (FKhM) first announced itself in Russia thanks to a Vologda merchant of the first guild, Kh.S. Ledentsov, who provided special-purpose financial assistance to the great Russian scientists—K. Timiryazev, I. Mechnikov, D. Mendeleyev, V. Vernadskiy, K. Tsiolkovskiy, I. Zhukovskiy, I. Pavlov, and others—and ultimately created the Ledentsov Fund. It is true, after the revolution this fund was nationalized by decree of the Soviet of People's Commissars "in view of the fact that it was based on private capital." However, the principles of financing breakthrough directions in science which had been developed by it quickly spread to Western countries, even giving rise to a special term in economic literature—the "Russian wave."

"Today, all the leading countries make widespread use of fund mechanisms of economic management," says my interlocutor, President of the Academy of New Thinking Yuriy Zabrodotskiy, who studied these mechanisms for many years in the West. "Like mushrooms after rain, the postwar economies of Germany, Japan, Italy, and France sprang up from fund mechanisms, while those of the U.S. and England rose to a new level. And this is quite understandable: The 'Russian wave' provides full renovation of equipment and high competitiveness of national production on the world market within a period of two to five years."

In the postwar period in the U.S., these same fund mechanisms of economic management passed through five stages of development and emerged as "state support of strategic initiatives." And the initiatives here are said to be the fundamental scientific ideas which have, as a rule, global significance and which possess a strategically important character. For their support, the U.S. Government creates a multitude of special state funds, through which the authors of the "initiatives" are allocated the necessary funds in the form of federal extra-budgetary grants. The scientists and enterprises involved in the "initiatives" also receive organizational-economic, sociopolitical, and moral-psychological government support, which is no less valuable to them. And almost every day in the U.S. is marked by the conclusion of such an exceptionally important scientific development and submission of its results for expert appraisal of government agencies. Thus, according to American statistics, in 1989, 43 strategically important developments were obtained, in 1990—120, in 1991—137, and in 1992—161 developments. Many of them possess great capacities for cardinal transformation of the industrial world and technological breakthrough in all directions.

Thus, the "Russian wave" is bringing not Russia but other countries to a new level of technological and economic development. Is this not a paradox? And this despite the fact that, in many scientific directions, Russia has a 10- to 15-year head start. However, the leading scientists—authors of the most valuable developments, who have grown desperate in trying to obtain any support from the state, are seeking sponsors in the West. Or they are packing up altogether and going to America with their ideas.

Yet we are still biting off a piece of each grain before sowing it. And we are reaping the appropriate harvest. So it is with the financial-industrial groups. While aiming them at priority directions and new scientific developments and technologies, we are at the same time trying to organize and shore them up in such a way that they will immediately become mini-sectors, oriented not toward technological breakthrough, but toward "reaping off" profits. Yet the FIG's would be fully capable of returning the "Russian wave" to Russia, of becoming the conductors of the fund mechanism of economic management, and through it—those very same strategic initiatives of global significance.

Russia still has a chance of coming forward with its ideas. We must not let it slip away.

*Government To Centralize All Financial Control Functions

954E1024A Moscow KOMMERSANT-DAILY in Russian 26 May 95 pp 1, 2

[Article by Boris Boyko under the heading Russian Government Meeting: Ministry of Finance Wants To Become the Ministry of Finance]

[FBIS Translated Text] Throughout the three years of economic reform the government has been completely at a loss to deal with two problems: the decline in investment activity, and the lack of control over how budget funds are used. Coincidentally, at a meeting of the government yesterday both those problems were discussed, in the form of a draft program to stimulate domestic and foreign investment prepared by the Ministry of Economics and urgent measures to reinforce financial control proposed by the Ministry of Finance. Despite the complex past history of these issues, their eventual fates turned out to be quite different. The Ministry of Economics, which developed the program to stimulate investment, suffered a painful fiasco, whereas the Ministry of Finance succeeded in getting back on top of its game only three weeks after the governments budget session, confidently outplaying its opponents.

Theoretically, one does not have to spend several hours sitting in a conference room to find out the results of any session of the government — all you need to do is take a look into the government smoking lounge on the fifth floor of the White House. The normally lively and convivial deputy minister of economics, Vladimir Kossov (the one who was, as the bureaucratic slang goes, sunk on the first issue), was subdued and distracted yesterday. After about 10 minutes spent discussing what had happened with two comrades-in-arms (just two of them!) the defeated ministrys representative quietly slipped away. Yesterdays victor, Ministry of Finance chief Vladimir Panskov, was in such a good mood that he did not even try to get out of his weekly obligation, agreeing at once to hold the post-government press briefing.

There was in fact nothing that could have saved the Ministry of Economics domestic and foreign investment incentive program from going down in defeat. The problem is that both the world capital market and the domestic market practically do not react at all to the governments incantations of investments, come to me.Those markets respond only to a high rate of return and stability in our countrys economic and political situation. This trite but therefore also true notion was what undid the ministry — it would be impossible to develop any program that would guarantee an upsurge in investment in the immediate future, and the staff of any federal ministry could give a general outline of the subject on paper equally well. And that was in fact the sort of ideas that Vladimir Kossov put forward yesterday. He simply stated that there was a proportional decline in both GDP and investment in the 1992-94 period.

To improve the investment climate, the Ministry of Economics program proposes establishing a favorable environment for expansion of off-budget capital investment sources and attracting private and foreign investment to the economy. That will of course require better legislation and state support for effective investment projects. There are also plans to gradually convert the general publics savings — estimated by the Ministry of Labor at R50 trillion in 1994 — into investments.

Despite the fact that everyone present agreed the program is necessary, it came under sharp criticism from the Ministry of Finance and the prime minister.

Ministry of Finance chief Vladimir Panskov said he was puzzled that the program did not take his ministrys proposals into account. He noted that, instead of stimulating investment, on some points the program merely proposed expanding the role of the Ministry of Economics in regulating that process. In addition, a number of points in the program, in his opinion, would simply tend to turn the whole country into one big offshore zone. Summing up, the prime minister levelled sharp criticism at the Ministry of Economics leadership, which, in his words, cooked up this program in the quiet of their offices and then threw it out to a session of the government in just two days. The head of the government was equally harsh in his assessment of the documents contents: They squeezed everything they could into this program. The prime ministers final conclusion was simple: the economic base that would be required to implement the program does not exist, and working on that economic base should be the top priority. With that verdict the document was sent back for revision.

The second issue on the agenda of yesterdays session could well be termed an eternal question: absolutely every country has to deal with the problem of how to oversee the use of budget funds. The cases of federal budget spending abuse cited by the minister would have stunned bureaucrats of the old school (at the press briefing the minister of finance appeared discouraged — in the days of the USSR few means of illegal use of budget funds existed, but now those who receive those funds have too many opportunities to make a little profit on the side). According to a Ministry of Finance report, almost 50,000 audits were conducted in 1994, and one in three uncovered discrepancies. The audits revealed illegal expenditure of budget funds, embezzlement, failure to pay taxes and fees, and other abuses which the head of the Ministry of Finance termed squandering, the total sum of which exceeded one trillion rubles. The damage done to the budget was R527.2 billion.

Panskovs most serious complaints were leveled against the Ministry of Labor, or more precisely against the Federal Employment Service, and the Ministry Nationalities Affairs. The amount of damage done by them totalled R229.5 billion and R148 billion, respectively. Furthermore, Mr. Panskov decided to flatly accuse the heads of the Ministry of Natinalities Affairs (Sergey Shakhray, followed by Nikolay Yegorov) of misappropriating more than R2 billion. True, former ministry head Sergey Shakhray also attempted to accuse the Ministry of Finance itself of all the abuses connected with the northern supply incident, but this sounded unconvincing. Information about abuses at the regional level prompted an emotional reaction from the prime minister, who commented that the very ones who come here most often and try to squeeze the most out of us are from the places where all this is happening. (Viktor Chernomyrdin moved that all the documentation on these abuses be turned over to investigative agencies.)

The ministers proposals on ways to improve the situation were radical and quite predictable. Vladimir Panskov took full advantage of this chance to convince the government of the need to centralize all financial control functions under the Ministry of Finance, just as is done in the United States. In his opinion, the role of the Russian Ministry of Finance has been downgraded. Ideally, the minister believes, the tax service should be subordinate to the Ministry of Finance. There is one solution to the problem: to write a law On State Financial Control that would set forth the Ministry of Finances leading role. For now, a proposal has been made to create a special Council on State Financial Control under the Ministry of Finance.

Urgent Measures Proposed by the Ministry of Finance To Strengthen Financial Control

— Submit a draft law **On State Financial Control** for the governments consideration by 1 November.

— Establish a **Council on State Financial Oversight under the Ministry of Finance**, to be headed by the minister of finance and to include the heads of the Central Bank of Russia, the State Tax Service, the Tax Police Department, the State Tariff Committee, the Federal Currency and Export Control Service, the Federal Insurance Oversight Service, the Main Administration of the Federal Treasury, and the Ministry of Finances Control and Audit Administration.

Regions With Largest Amounts of Damages Uncovered and Reimbursed in 1994 (Millions of Rubles at 1992-94 Prices)

Component of the RF	Amount of Damages Uncovered	Amount of Damages Reimbursed
Republic of Dagestan	13,852	827
Sakha Republic (Yakutia)	19,342	9,096
Krasnoyarsk Kray	7,502	3,906
Stavropol Kray	17,654	7,652

Component of the RF	Amount of Damages Uncovered	Amount of Damages Reimbursed
Khabarovsk Kray	21,279	14,509
Arkhangelsk Oblast	72,761	9,597
Volgograd Oblast	18,677	5,723
Irkutsk Oblast	7,123	3,563
Kemerovo Oblast	29,040	7,836
Moscow Oblast	34,728	7,806
Nizhegorod Oblast	13,728	5,924
Novosibirsk Oblast	30,906	10,505
Orenburg Oblast	38,329	1,235
Samara Oblast	26,328	1,816
Koryak Autonomous Okrug	14,372	325
Nenets Autonomous Okrug	13,566	2,201
Moscow	18,913	13,813
St. Petersburg	33,522	10,097

*Shifting Tax Burden From Producers to Exporters, Financiers Urged

954E1021B Moscow IZVESTIYA in Russian 25 May 95 p 2

[Article by Mikhail Delyagin, Analytical Administration of the President of Russia: "Taxes From Private Individuals For the Good of the Population"]

[FBIS Translated Text] **From the budgetary point of view, the first quarter of 1995 was more successful than ever before. The deficit in the federal budget was reduced to 3.3 percent of the VVP [gross domestic product] (more than one-half the forecasted level, almost one-third of last year's level), and the real income exceeded planned income by 3.3 percent. However, the causes of this — the increase in the receipts from centralized export and the difference in the exchange rate — are of a one-time nature.**

One cannot count on the continuation of their effect throughout 1995. And although the collection rate of taxes, the basic factor that determines the effectiveness of the budgetary process, did increase somewhat, that rate continues to be at a rather low level. According to data from Gosnalogosluzhba [State Tax Service], the shortfall for payments into the federal budget increased during the quarter by 3.6 trillion rubles, which constituted 11.3 percent of the budget income. The shortfall for 1994 was lower — 10.8 percent of the income (9.3 trillion rubles).

The fundamental reason for the low collection rate of taxes is the fact that their structure does not coincide with the sharply changed structure of the economy, as a result of which the basic burden of taxation is borne by the financially weak sectors. The tax pressure on the economy (with a consideration of nonbudgetary funds) constituted in 1994 36.3 percent of the gross domestic product (VVP), with maximum admissible ones (on the basis of world experience) of 43-45 percent. However, 50 percent of the VVP is produced in the services sphere (as recently as 1992, its share was only 32.3 percent), in which the enterprises are effectively evading taxation. A consideration of this factor makes the computed tax load on material production close to critical. And yet there still exist various kinds of benefits as a result of which the share of the basic export branches in Russia's budget is substantially less than their share in social production.

Thus, the taxation that is, on the average, rather low, turns out, as a result of its lagging structure, to be excessive tax oppression for the vitally necessary production entities that employ the bulk of Russia's population. And excessive tax pressure is not so much the closing of enterprises as it is the crowding out of them into a criminal sphere that is fraught not only with the formation of a corresponding mentality, but also with the further lowering of the controllability of the economy. The legalization of shady capital that occurs on this background is insufficient consolation.

Thus, the chief task of tax reform is the restructuring of the tax load, the putting of that load into conformity with the structure of the economy. The state will have to stop demanding money from those who do not have any, and begin taking it from those who do: from the financial sphere and the export production entities.

Is this possible? After all, the financially most powerful structures are also simultaneously the ones that are politically most influential. They are capable of blocking any measures that infringe upon their interests, in the same way that they have already weakened the tax pressure upon themselves. The restructuring of the tax load, thus, may be postponed for a long time — until the complete degradation of the state and the economy.

It must be remembered that the state serves those who make payments to it — primarily in the form of taxes. In the developed countries, the bulk of the taxes (as much as 80 percent) is paid by private individuals; those are the ones whom the state serves. It is precisely that situation that is called a democracy.

In our country the situation is just the opposite: the bulk of the taxes are paid by the enterprises. And the state, according to implacable economic logic, has been forced to serve precisely them, rather than its own citizens. In proportion to the natural processes in the concentration of capital, oligarchy, rather than democracy, grows on that soil.

In order to avoid this, it is necessary to transfer the basic burden of the tax load to the population. Of course, this requires, first of all, a fundamental rise in the standard of living — after all, poor people do not pay taxes. What can be reasonably proposed as the first and quickest step on this path is to transfer to the population part of the enterprises' tax load: the taxes that an enterprise is paying today can be included in its workers' income and can now be collected from them for the benefit of the state. However, this step, which leads to an explosive increase in the number of significant taxpayers, requires a considerable improvement of the work performed by the tax agencies and the improvement of tax laws and official practice.

This is a difficult and lengthy task that cannot be resolved in one or two years. But it will have to be resolved, since it will not be possible to form a lasting democracy until the burden of taxes has been shifted to individuals — only then will the citizens, rather than the enterprises, become the real owners of the state.

And it is only in the course of that process, when the state comes out from under the control of the largest corporations, when the state serves the population directly, rather than servi ng its "best representatives" in the person, true, no longer of the party *nomenklatura*, but the business *nomenklatura* — only then will it become possible to restructure the tax load and to shift its basic burden from the poor structures to the most powerful and richest ones —primarily in the form of taxing the income of their employees.

*Economists Propose Lower Taxes, Stricter Collection Methods

954E0999A Moscow TRUD in Russian 17 May 95 p 5

[Article by Vilen Perlamutrov and Vladimir Odess, doctors of economic sciences: "You Earned a Ruble, Give Back 90 Kopeks; Tax Press on Enterprises Not Weakening"]

[FBIS Translated Text] The prolonged and deep decline of industrial production in Russia is reducing the income of enterprises, and thereby also the income of the treasury. In order for the state to avoid bankruptcy, very high tax rates have been established—almost all profits are subject to rechanneling into the state budget. That which remains for the enterprises cannot cover even the most pressing needs—repair of equipment (not to mention its renovation) and increase in working capital.

From time to time, the government promises financial stabilization and uplift of production. In January the minister of finance said that the production plan "presupposes the completion of the process of macroeconomic stabilization in the spring-summer of 1995." His colleague, the minister of economics, calls this year "the last year of the decline in production volume." The words of the ministers are too good to be true, but alas, this is far from the first time that such things have been said. Yet the decline in production continues.

Now it has been announced that tax reform is being prepared. The package of draft laws is in the State Duma. What do they intend to change? Are they going to reduce the burden of taxes? Or increase the tax base, i.e., the income of enterprises? After all, the latter is the inevitable basis of the former. As it turns out, they plan to do neither. They intend only to unify about 50 different taxes, fees, and collections into about 30. But, as it was before, so it will remain: From each ruble of income, more than 90 kopeks go to the federal, regional, and local budgets.

The tax press is not easing. It would seem, as production declined, and following it also culture, public health, defense, and science, so they are destined to continue this decline. Yet, it would seem, how much farther.... In the past five years the country's industry has curtailed production by almost 60 percent. For comparison, we will note that in Germany for the years 1938-1947 industrial production declined by 47 percent. But that was during the war, with bombing, destruction, and occupation. Yet today we have only market reforms, including tax reform....

The current tax policy of the state evokes the opposition of the taxpayers. They try by all possible means, legal and more often illegal, to conceal their income from the tax inspectorates. This situation is aggravated by the payments crisis, which has led to the fact that almost all enterprises and organizations owe each other over 170 trillion rubles (R), and cannot pay—there is no money.

Mutual debts, like evasion of tax payments, lead to a situation in which less than half of the planned sum is collected. The result of this is the hopeless multibillion debt of the state budget to the defense industry, the agro-industrial complex, the teachers, doctors, science, and culture, and to practically to all wage earners. Ultimately, a paradoxical picture is formed: Taxes are huge, yet the state has very little money for expenditures.

What, in our opinion, should be done to change this situation?

First. Russia exports much oil, gas, metals, timber, diamonds, and other goods. Specialists estimate that exports total a sum of over $60 billion a year. The exporters—various corporations, associations, and other private businesses—leave the lion's share of their earnings in their accounts in foreign banks. As a result, Russia is in fact crediting the Western countries, while itself going around the world with its hand outstretched asking for credits. But here is the main thing: In exporting goods, the exporters, as a rule, pay no taxes. At the same time, in world practice such commercial behavior is deemed to be unlawful. It would be enough for the procurator's office, the tax police, or the tax service to present documents to Interpol, certifying nonpayment or underpayment of taxes in the country of origin, and such trade would be recognized as being unlawful and the appropriate monetary sums returned to the place where accounts should have first been settled with the treasury.

We do not believe that our customs services are not keeping the appropriate accounting of import-export operations, nor that the finance organs are not keeping an accounting of the sums subject to taxation and those actually paid into the budget. And so, let them get down to doing their work. Then tens of billions of dollars would come into the treasury. If, as Minfin [Ministry of Finance] announced, it needs $13 billion in foreign loans to balance the income and expenditures portions of the federal budget for this year, through this international-legal method it will be able to get much more, and not in loans (which will then have to be repaid, and with interest), but in the monies that are lawfully due to it. And then not only will the budget be balanced, but it will become possible to somewhat reduce domestic taxes. Yet nothing of the sort is being done. It would be good to know—why?

Second. It is necessary to sharply curtail the number of taxes and to simplify the procedure of their payment to the treasury. Instead of 50 or 30 taxes and fees, we should leave three, four, or five federal taxes, with deduction of a portion of each to the budgets of the regions and to the local budgets. For example, we should retain the taxes on profits, property, land, environmental pollution, income, and inheritance—with a progressive scale: The greater the sum of the income, the higher the relative share of deductions to the treasury. Under such an order, any local tax inspection, in striving to replenish its own treasury, would at the same time also be replenishing federal income. There would no longer be the delineation—this goes into our pocket, this to Moscow. After all, why should we exert any effort?...

At the same time, it is necessary to establish a mandatory order of open publication of the bookkeeping balances of enterprises and organizations, as well as tax declarations by leading officials and wealthy individuals. And we must introduce criminal responsibility for "errors" in these balances and declarations. Every taxpayer must know that he cannot cheat the treasury.

At the same time—until the country's economy and finances are brought out of crisis—we should repeal the value-added tax introduced by Gaydar. Today this tax is perhaps the largest in the long list of taxes. Yet we must remember: Not one state in the world has introduced this tax under economic crisis. It was applied in the European countries in the mid-1950's, when the economy had been stabilized after the end of World War II. The burden of this tax is shifted along the chain of mutually dependent productions to the final consumers. And for this reason it makes them even poorer. That is why it was implemented 13-15 years after the end of the war, when the living standard had increased significantly. If we repeal the value-added tax in our country, the growth of prices would slow down somewhat. This would also serve as a counterinflationary measure.

Third. The most important thing is to achieve a breakthrough in production, to ensure its upswing. An upswing in production means a growth in income of the economy, and consequently in the income of the treasury. Then the reduction of tax rates to a level which is normal in the current economies of the developed countries—30-45 percent of the income—will become a reality. And producers will have an incentive both for growth and for development of production.

Our reformers are always saying: We will stabilize finances, quell inflation, and then the upswing in production will begin. But, no matter what you say, they are putting the cart before the horse. Here we cannot help but refer to the opinion of an informed man—the Minister of Finance of tsarist Russia, S. Vitte. His famous monetary reform of 1897 gave the country the gold ruble. He knew very well the sequence of the horse and the cart in state finances: "Without revitalization of the national economy, the value of the Russian monetary unit cannot be strengthened by any purely financial measures." We might add that, had His Excellency the Count, the builder of the Trans-Siberian Railroad Line, known that the privatization of state enterprises which is currently going on in Russia would bring almost no income to the treasury, he would surely have ordered the exchequers of this deal to be thrown in jail. There were two things he did not tolerate—incompetence and embezzlement of public funds....

How can we regulate the growth of production and thereby overcome the crisis? Economic science has no theoretical recipes for this. However, there is the extensive world experience of numerous countries. There is the Soviet experience of the early 1920's—the transition to the NEP [New Economic Policy]. There is the American experience of the mid-1930's—the "New Deal" of President F. Roosevelt. There is the experience of other countries after World War II.

The main thing in this experience is the following. First of all, a state determines the first-priority "growth points"—food, clothing, housing, power, etc.—and channels the necessary capital in those directions. It does so through recommendations to investors, benefits, and if these are ineffective, through prohibitions against crediting anything else. It continues this course until production shows an increase. Then, the state determines the "parity prices" along the main links in the chain of subsequent types of production—from fuel and raw material to bread and shoes. The price on the products of each subsequent link is higher than for the products of the preceding one. In this way, the links in the unified chain of the national economy may operate at a profit, and not at a loss. And finally, since any production grows only when there is solvent demand for its product, the state, through its authority, also ensures income of the citizens which is adequate for their subsistence, as well as its gradual growth. Without this necessary condition, even the most well-regulated production will fall apart—without a market it cannot exist.

*Inflation Tendencies in First Quarter of 1995 Analyzed

954E1040A Moscow KOMMERSANT-DAILY in Russian 31 May 95 p 3

[Article by Mikhail Delyagin: "There Will Be No Inflationary Armageddon"]

[FBIS Translated Text] **The money supply increased by 25 percent in Russia during April. After the monthly increase of 5 to 7 percent in September to December 1994 and 3 percent in the first quarter of 1995, such a sharp acceleration in the increase in the money supply produces shock, of course, but this impression is not entirely justified, expert Mikhail Delyagin believes.**

The data obtained from official sources shows that the money supply increased very substantially in April—by 25 percent. This figure is also confirmed indirectly by the dynamics of macroeconomic indicators: for example, by the decline in the rate of increase of overdue debts (overdue credit indebtedness rose only by 6 percent in April) and indebtedness in wage payments (in general, this indebtedness declined by 3 percent in April).

However, in assessing the inflationary consequences of such an increase in the money supply, one circumstance has to be taken into account. Rubles issued by the Central Bank in the process of increasing its foreign currency reserves, or simply stated, to purchase dollars, account for roughly half of the increase in the money supply. From the viewpoint of existing statistics, the rubles specially issued by the Central Bank to purchase dollars do not differ from any other emission; the statistics take into account only the ruble part of the money supply actually being formed and the nonruble components are abstracted from this (primarily the foreign currency used in turnover). However, it is completely possible to assume that the emission to purchase dollars does not change the money supply—simply part of the money supply not being taken into account by the official statistics (dollars) is changed for another part taken into account by the official statistics (rubles). As a result, the operations previously maintained by dollars are now being maintained by rubles. In sum, it turns out that half of the 25-percent "increase in the money supply" is totally accounted for by foreign exchange, and for that reason, it does not have an inflationary effect on the economy—removing dollars from the economy does not lead to an increase in prices.

The second and really inflationary half of the increase in the money supply remains. The principal reason for it is the increase in social payments which the government was forced to make after the people's standard of living in February, unlike in previous years, was not restored after the seasonal slump in January. Let us point out that the government was really forced to do this; the dangers the government encounters in situations such as this should not be underestimated. The experience in the 1992-1994 period demonstrates that even the simple lack of an increase in the public's purchasing power over several months in a row leads to irreversible social and political consequences.

However, the inflationary consequences of this increase may not turn out to be as catastrophic. As of today, the Central Bank has been able to take certain preventive steps by making emergency changes in the procedure for reservation of bank funds (though such an anti-inflationary step has sharply worsened the Central Bank's relations with Russia's banking community).

Inflation in the Fall: What Can Be Expected

It should be noted first of all that it is unlikely that new inflationary monetary emissions will follow in the near future. In the final analysis, the government is really trying to meet its commitments made to international financial organizations, and in fact, certain structural shifts are taking place in the economy. For this reason, in the foreseeable future, we may refer only to the inflationary consequences of the increase in the money supply which has already taken place since the beginning of the year.

Taking into account that the consequences of increasing the money supply usually occur with a six-month delay, the first accelerated increase in prices may be expected in August, as a consequence of emissions in the first quarter. It must be kept in mind, however, that the emission in this period was not actually very significant: the money supply increased about 1 percent in February and about 2 percent in March. Accordingly, the inflationary consequences will not be substantial either, especially since, as the past year demonstrated, the state is capable of holding even much greater inflationary pressure in check and doing this so effectively that most of those involved in the market do not even notice the increased inflationary potential.

Moreover, it may be pointed out that under the current conditions of not very high inflation, development and diversification of the financial markets are taking place. For this reason, the temporary lag between an increase in the money supply and acceleration of the increase in prices becomes longer. It will most likely increase from today's six months to seven months by the fall. It follows from this that the consequences of a relatively small emission in the first quarter will be observed not only in August but in September as well. As a result, inflation over these months will amount to roughly 4.5 percent.

After September, the consequences of the more substantial April increase in the money supply will appear. It is clear that inflation will begin to accelerate in any case, and we will be seeing the traditional autumn wave of inflation. This wave, however, will not be catastrophic in 1995. It follows from what has been stated that the actual increase in the money supply during April was not as great as it seems, and it has been compensated to a certain extent by the Central Bank's policy. The election campaign populism's widespread fears of inflationary consequences in the fall are not very well-grounded. In preparing for the elections, the authorities will concentrate on purely political factors and are unlikely to begin resorting to any large-scale economic moves.

It is most likely that inflation in the fall of 1995 will not exceed the level of 8 to 10 percent per month (moreover, inflation will drop to 4 to 5 percent by February and March 1996). In accordance with the results of 1995, prices will rise by 2.5 times; that is, inflation will reach an average of 8 percent per month (compared with 10 percent per month in 1994). In principle, results such as these may be considered an important achievement by the government. Even if we do not succeed in going all the way to 5 percent monthly inflation rate, which would open the road to "an investment future," we will go half of the way in 1995.

Economic Issues

*Yekhanurov on Privatization Progress

954K0596A Kiev MOLOD UKRAYINY in Ukrainian 12 May 95 p 1

[Interview with Yuriy Yekhanurov, chairman of the State Property Fund of Ukraine, by Volodymyr Oliynyk under the rubric "Privatization-95"; date and place not given: "'I Am Reminded of the Method for 'Pickling Cucumbers'"]

[FBIS Translated Text]

[Oliynyk] Mr. Yekhanurov, what is the current state of the privatization process in light of the fact that parliament has not lifted the July moratorium on privatization?

[Yekhanurov] Work was done to fine tune the technology of privatization; we held the first auctions and learned from the flaws [in the system]; and people have already begun to criticize us. This has convinced me that we are on the right path. If people criticize us actively—they have access to information, and this means that we have done something new. When I began to receive letters, which I measure in decimeters, it became clear to me that, despite everything, privatization is under way in Ukraine. I am very happy that on 28 April, after two months of deliberations within the organizational structure of the Cabinet of Ministers, the list of enterprises slated for privatization has finally been approved. Let me "sell" you a headline: "6,102 to 5,334 for the Supreme Council of Ukraine." That is, 6,102 enterprises are not subject to privatization because of their national significance, while 5,334 enterprises are subject to mandatory privatization this year and will be readied for auctioning approximately by the end of July, and an additional 2,700 enterprises will be made ready for privatizing by the end of the year for a total of 8,000 enterprises to be privatized this year. Thus, the State Property Fund is continuing to work vigorously.

[Oliynyk] If you can, please tell us about this in greater detail.

[Yekhanurov] We have settled which facilities will be privatized by the central organization and which by our regional divisions. We are taking on the most complicated facilities—those that will require the approval of the Cabinet of Ministers and those over which we anticipate a battle with the sectoral ministries. This entails no more than two to three hundred enterprises. All others will be privatized at the local level by our regional branch offices.

[Oliynyk] Mr. Yekhanurov, do you not think that hindering privatization is having an impact on the development of business enterprise in Ukraine?

[Yekhanurov] This year we will give our businessmen the opportunity to show what they can do in small-scale privatization. You can see that auctions have picked up a bit. We are working on a plan to involve stock exchanges in the auctions in our cities; it is possible that we will avail ourselves of the premises of stock exchanges for this purpose. In my opinion, however, the greatest problem is that Ukraine's entrepreneurial resources have not been harnessed.

[Oliynyk] By the way, information and new technologies—these are exceptionally profitable things; speaking of which, there is, I think, a new field in Ukraine, which is called intellectual property?

[Yekhanurov] We are already creating an Independent Stock Registration system, which will operate at the certificate auction centers.

[Oliynyk] What kinds of problems do you encounter during privatization aside from the legislative delays on the part of parliamentarians?

[Yekhanurov] We have decided to show investors that we are an open country, and that it is possible to do business with us. We will take two such steps. We have already sold 88.8 percent of the stock in the Trostyanets chocolate factory. To my mind, this was a good deal. First, we brought foreign currency funds into the budget, so that part of the money that we pay for Russian gas comes from the Trostyanets factory. Second, we have a commitment from the investors to spend another $26 million over the next five years to develop this factory. I still believe that Trostyanets was very lucky. Yet, people belonging to the well-known political orientation are attacking me for selling off Ukraine. I wondered: Where is this coming from, who could be dissatisfied with this?! It turned out that the whole of Trostyanets is dissatisfied, except for the 3,000 employees of the factory and their families. Why? Because not only did the factory employees get to keep their benefits in the social sphere, but their earnings following privatization with the inclusion of foreign capital amounted in January to approximately 16 million karbovantsi per employee. Now the entire district hates these employees. Living around them are people who earn nothing. So what is happening? (The speaker laughs.) Our people are not imbued with a sense of ownership, and this is another problem in promoting a market economy.

Here is a second example: One of our cement plants also has an owner—the plant was bought. The owner did something "unprecedented": He posted security guards, which the local population regards as outrageous! In addition, the guards are not local people but "outsiders," who come in shifts all the way from Kiev. The entire "infrastructure" that existed up to now, 30 cement drivers, who lived off stolen cement by selling it in the surrounding villages at half-price, hundreds of people whose "business" was cement, were left "unemployed."

It turns out that the cement plant, which had "fed" thieves for 30 years, has now become extremely hazardous from the ecological standpoint! It turns out that the plant's employees are "abnormal" because they earn a high wage....

The fate of privatization depends a great deal on whether or not we give at least moral support to those who are able to achieve something in life. Those people whom we call businessmen. A businessman who wants to produce something has to work hard. I am reminded of the method for "pickling cucumbers." Until the whole nation is thoroughly "steeped" in the market mentality, we can expect no major changes.

*Socialist Leader Denounces Government Economic Policy

954F2445A Kiev GOLOS UKRAINY in Russian 25 May 95 p 9

[Article by N. Vytrenko, people's deputy of Ukraine: "Why It Is Necessary to Protect the Interests of the Working People"]

[FBIS Translated Text] **Nataliya Vytrenko is the newest people's deputy of Ukraine since the date of elections (18 December 1994). Doctor of economic sciences, academician of the Construction Academy of Ukraine, and member of the Political Executive Committee of the Socialist Party of Ukraine, she is distinguished by the clarity of her positions and the persistence with which she defends them. Her report: "The Economy of Ukraine Today: Chaos and Ruin," delivered at the international scientific conference (Economic Development in the Period of the Collapse of the Financial System) held on 29 March 1995 in Washington D.C. (United States) was received with considerable interest.**

I consider myself to be among those scientists favoring the state, who thereby put themselves in opposition to those scientists favoring the market, the monetarists.

Let us not consider the extremes (a "pure" market or 100 percent centralized planning), for each one is a utopia which never existed in the history of mankind and is fundamentally unattainable. There is, however, a substantive difference between us and the supporters of the market. They are in favor of the market dominating as a regulatory force and the practical elimination of the government from economic regulatory activity. We favor state regulation and full state responsibility for the results of all socioeconomic transformations that are carried out and for a special intensification of the role of the state in resolving the crisis. They believe that the state must influence all of these processes only through the financial system and raise the concept of financial stabilization to the level of an absolute. We are for the stimulation of development of domestic commodity production for the purpose of more comprehensively satisfying the needs of the people and the use by the state of not only economic levers for that purpose but administrative ones as well. The roots of monetarism spring from representatives of the Chicago school of Milton Freedman and Friedrich von Zaisk (that is why their followers are called "Chicago boys"). Those "boys" include D. Saks and L. Baltserovich, O. Latsis and Ye. Gaydar, and also V. Pynzenyk and A. Savchenko, and V. Lanovy and R. Shpek. I will name those who think like myself as well. In Ukraine they are V. Naydenov and A. Alymov, L. Gassanov and S. Dorguntsov, M. Drukovany and V. Fedorenko, V. Yllaryonov and A. Radzyevsky, N. Tregub and N. Cherednychenko, and many others who are undeservedly hushed up by our "free" press and television.

The credo of our monetarists, who are circulating the recipes of the International Monetary Fund and the World Bank, states that the principal goal of reforms is the building of a market, which requires the liberalization of prices, currency, and foreign trade (i.e. freeing them from state control and regulation); macroeconomic stabilization (i.e. decrease in the budget deficit through a cutback in subsidies for agriculture and state enterprises); a curtailment of social programs; and forcing of the privatization of state property and land.

We, however, understand the purpose of reforms (with the utilization of both plan and market mechanisms) to be the building of a socially just society. For that purpose it is necessary to have progressive development of those achievements of socialism which existed in our country, with the elimination of deformations and distortions that accumulated due to the usurpation of power by the party—economic nomenklatura. Specifically we have the incomplete realization of the principle of people's power, the excessive centralization of management and the nationalization of property, and the equalization of large-scale distribution simultaneously with a double standard of living for those in power that make up the stumbling blocks on the way toward the development of our society. This must be overcome by means of systematic and comprehensive reforms.

These reforms will be desired, welcomed, and objectively demanded.

An unconditional requirement for the reforms, however, is an improvement—not over decades but in a few months—in the processes at which they are directed. It is only under these conditions that the reforms will receive the necessary social base and the support of the broad strata of the population.

It is evident that what has been forced on our country by the "Chicago boys" has nothing in common with reform. Plain destruction is taking place, the ruin of a powerful production and scientific-technical potential, and the destruction and flight from the country of intellectual, labor, and raw material resources.

I will cite today's results of these "reforms." The gross domestic product of Ukraine went down by a factor of three over four years—from $2,226 on a per capita basis to $742 in 1994—while national income in that period went down by 46 percent, the volume of industrial production went down by 48 percent, the volume of agricultural production decreased by one third, and the volume of retail trade turnover dropped by a factor of five. The largest country in Europe, a country with the best educated population in the world (964 out of every 1,000 individuals engaged in the national economy has a higher or a secondary education, which is higher than in any other country), is today a leader as the country with the cheapest manpower, with an average monthly wage of $26. A country with the best chernozem soil in the world today has millions of hungry people. The consumption level of the population is dropping catastrophically. In 1994 alone, consumption of meat in Ukraine deceased by 3.6 kilograms [kg] per person, milk decreased by 10 kg, and eggs dropped by 25 kg. Consumption of fish stopped at a monstrously low level—2.9 kg per year per person—whereas as recently as in 1990 the average per capita consumption of fish in Ukraine amounted to 17.1 kg and in 1991 it was 12.2 kg.

At the same time all average indexes in Ukraine have become fiction and it is impossible to use them for orientation purposes. The average is reliable when it is typical, i.e. characteristic of most of the elements of the total. Otherwise it turns into a fictional average.

This also applies to the averages that were cited. When wages are not regulated and controlled by the government—and Labor Minister M. Kaskevich officially indicates that the maximum wage is 50 times greater than the minimum wage; when some get fat on spongers' grub while pensioners cannot get either sausage or meat; when a banker purchases his third Mercedes while a worker cannot even feed his family, how is it possible in such a case to use average indices? Therefore Economics Minister R. Shpek, who delivered yet another report to the Supreme Council on the growth of the average wage as a happy result of economic improvement which he attempted to do on 28 April, should have cited information to the deputies on distribution of the population of Ukraine (in percent of the total) with regard to wages and revenues and showed the dynamics of that distribution. Let the government explain what kind of reforms are these when society is stratified into a super-parasitic elite and tens of millions of impoverished people (which only recently lived a decent life and honestly earned their wages). Let it explain why a 0.3 percent segment of the population back in early 1994 had an average monthly income in excess of $4,000, while by the end of 1994 its size increased to 1.8 percent, including a 0.3 percent segment of the population with incomes of over $2,000 per month. At the same time 91 percent of those working in the country receive a wage that is below average. In Ukraine as a whole, however, the real income of the population decreased by 40 percent in the last six months alone. It is really necessary to be responsible for such results.

Destruction of the Ukrainian potential and its deindustrialization and degradation of the people are objectively leading to the loss of statehood. That is specifically the goal being pursued by world financial institutions and primarily by the International Monetary Fund and the World Bank.

That is why credit must not be accepted from them on principal. Their credit calls for enslavement, while the recipes for reforms being promoted by them have not yielded positive results in any country of the world where their intervention was permitted. The economic collapse of Mexico has already shaken the world. Argentina, and Hungary are next. Then it will be Poland and Ukraine's turn. The mines have been laid. While not receiving interest on the credit (temporarily!), they nevertheless get the right to meddle in the economy and politics of the country "being endowed." Even today they are already brazenly commanding us, dictating the forms and rates of conversion and the scales and mechanism of price regulation, blocking the creation of new jobs and stimulating the free circulation of foreign currency in our country. In principle, the aid promised by them is ridiculously low: $4 billion. According to expert estimates we need at least $40 billion. In order to achieve an economic upturn, however, we need independently made decisions, we must return some $60 billion to Ukraine (and there are methods of accomplishing this but no social order for its realization) which according to specialists, was exported and is working in foreign countries. It is possible to accept foreign credit as well, but for concrete projects which we need and from concrete foreign investors on mutually advantageous conditions.

Those investment will come to us only if there is stability in society. At the same time political and social stability are possible only with the realization of those reforms which take place in the interests of a majority of the population. Otherwise there is catastrophe. The state of Ukraine will vanish off the political map of the world, having yielded its place to a colony.

That is why we, the scientists-government supporters, called our economic program "The Program for Prevention of a National Catastrophe." As the scientific leader in that program I have declared it from the tribunal of the Supreme Council back in January of this year and mentioned it clearly in a discussion with L. Kuchma, the president of Ukraine and his closest aids and advisers, A. Rasumkov and A. Halchynsky, in the middle of April. We sought official recognition and the start of financing of our program not only because for three months 15 scientists and economists have been working on it for free, but also for the official recognition of the right of specialists to present an alternative to the reforms being conducted. The president promised a positive resolution of that question.

The program being prepared by us is a broad and complex document. We are working out methods of intensifying the effectiveness of state regulation primarily by means of economic levers—prices, taxes, credit, currency exchange rate, tariffs, and duties.

The reform of the remuneration of labor being proposed by us restores the motivational mechanism and ensures both a minimum living wage for the worker and a rise in wages with an increase in the productivity and quality of labor. The unblocking of consumption is directly linked with indexation of the working capital of enterprises, an increase in depreciation allotments, liquidation of the crisis in mutual settlement of accounts, and crediting of the modernization of production. A decrease in energy and material expenditures is stimulated in parallel with the creation of new jobs. In tax policy tax pressure is shifted from the commodity producer to the consumer. Mandatory declaration of income is introduced, control is made more rigid, and a system of penalties is put in place for its concealment and the nonpayment of taxes. On the whole the restoration and development of accounting and control in national economy is being proposed on a new qualitative basis—under conditions involving a powerful computer data management network, with the use of electronic money and magnetic cards, protection of domestic monetary circulation from the intervention of other currencies, and monitoring of the activity of banks. Monetary reform is envisaged but only as a reform resembling confiscation for the "illumination" and interdiction of speculative capital. The "attachment" of the national currency exchange rate to the consumer's basket is necessary, which will not permit continuation of the pilfering of the country through artificial exchange rates of the foreign currencies. A mechanism is being proposed for tariff protectionism and regulation of exports and imports for the purpose of protecting the domestic market.

Our program provides for a change in the very essence of the privatization process, its tempos and results. As a failed ideological campaign conducted under false slogans of the creation of millions of owners (where a goal is undoubtedly being pursued for redistribution of national property into the hands of a group of bigwigs of domestic and international criminal business), privatization must be endowed with an appropriate social and economic sense stipulating a search for forms and methods of raising the effectiveness of production by overcoming the alienation of workers from the results of labor. For that purpose a reliable legislative field is needed and primarily a law on state enterprises where the rights and duties of state enterprises under conditions of the new economic mechanism would be clearly differentiated. Collective, cooperative, joint-stock, and private forms of ownership are in need of systematic development, and it is also necessary to perfect leasing and contracting. At the same time the government must control progress and results of leasing and privatization, being responsible to the people for their socioeconomic effect. Then the government will objectively retain the right to nationalize and reprivatize facilities in case of violation of the contractual obligations. Here it is necessary to protect the interests of the working people legislatively. That is why laws are needed on trade unions and labor collectives. They are important not only in the change of ownership but also for the perfection of the mechanism of enterprise management and ensuring of democracy in the distribution of profit.

On the whole the spirit of humanization of production relations, democratization of the management of enterprises and regions, preservation of the integrity of the state, and ensuring of social purposefulness of its policy permeates our entire program.

I want to stress that we, deputies, visualize the program of economic reforms of the president and the government as just that. While in accordance with the Constitution of Ukraine and the Rules Governing Work of the Supreme Council, it must be adopted by Parliament. Regardless of whether or not someone likes it, there is today a working Supreme Council and also the Constitution of Ukraine—the fundamental law of our state. It is necessary to perfect both of them but not to flout the laws or spit in the faces of those elected by the people, particularly since Parliament approved the report of the president in October 1994 by a majority of votes (even with the serious disagreements that exist). Now it is up to the program to have a clear knowledge of the scales, tempos, mechanisms, deadlines, and results of the transformations. Only then will it be possible to make an objective evaluation of the work done by executive power. It is possible to form a government which must include people sharing the proposed ideology of reforms and capable of carrying them out, only with a declared program.

Let all possible transformation programs become known in our society. The people must know that there is always an alternative, and they must know its essence. Then the people will be able to decide what society they wish to live in. All of us want to save our homes and our country, turning it into one that prospers in a deserving manner.

Armenia

*State Minister Sargsyan Profiled

954K0599A Yerevan LRAGIR in Armenian 21 Apr 95 p 3

[Report by Nairi Badalyan: "Vazgen Sargsyan: An Attempt at Profiling"]

[FBIS Translated Text] *Today, on the eve of elections for a National Assembly, there are only a few structures that have genuine influence and power over Armenia's domestic political life. Beside the three political parties profiled in past issues, Armenia's most substantial forces are three power structures that are run in a highly centralized manner by a single political brain center, namely the president's staff: The army, the Ministry of Internal Affairs and the State Administration for National Security [SANS]. Among these the national army stands out in terms of both the good reputation it enjoys among the people and its substantial resources and well-formed organization.*

Having performed the task of defending the country with great success in conditions of war, today the army is becoming an increasingly more important factor in domestic politics, largely because of the special disposition of the people toward it. Whereas the SANS and the Ministry of Internal Affairs suffer from an overwhelmingly negative public perception because of their supervisory characteristics, the army remains the only power structure that is perceived by the people as an organization which is made up of its own children and which is the defender of the homeland. In this context, the army has involuntarily assumed the role of guaranteeing the internal stability of the state and is increasingly becoming the president's principal support base.

However, this creates a certain complication. The truth is that when the army assumes such a function in internal politics a certain necessity arises to formulate the domestic demands of the army. As is known, in any state the ruling elite consists of three distinct groups: the political, the economic and the military elites. Each of these groups incorporates the separate and collective demands of the individuals comprising the groups. Although we can say that today the demands of the political and economic elites in Armenia are clearly defined, the same cannot be said about the military elite. Having been formed in war conditions together with the national army, the senior officer corps of the Armenian army is today fully focused on resolving its day-to-day battleground problems and has not had the time to formulate its political and social demands. The singular responsibility and honor to represent the army in this sense has fallen on the shoulders of Vazgen Sargsyan by circumstance. The Armenian army's social and political objectives will continue to depend on Sargsyan's personal dispositions for a some time to come (until a permanent ceasefire).

It is for this reason that the interpretation of V. Sargsyan's role as state minister and political figure is important. However, before attempting to present his political profile I would like to draw attention to a very important principle of methodology in appraising political figures. As a rule and especially in Armenia, political figures are formed and gain public stature more because of their personal attributes than the assistance of the political parties or forces backing them. After all, a political figure must have the ability to stand out and to be distinguished from the general masses, thus manifesting a creative and strong personality. In equal conditions of comparison (in other words when they are all equally unknown to the public), it is this type of individuals with agile minds and enterprising attributes who stand out from the masses and gain the public's respect. It is this type of individuals who have the opportunity to manifest themselves in public and to rise up the ranks, especially at times of public cataclysm when well-known sociometric ties of family and friendship built over many years sink to the bottom in terms of creating conditions of self-manifestation for an individual.

A political figure is also human, and his work is subject to the maxim: "A man's personality manifests itself in extreme circumstances." The beginning of the Karabakh movement in Armenia was marked by such extreme and nonstandard social circumstances. It was natural that more or less well-trained individuals, who did not feel any immediate affiliation to and who were not fed with umbilical cords by the communist system, would find opportunities to manifest themselves and would become today the architects of Armenia's political and economic future. In my opinion the noticeable absence of qualified cadres in opposition parties is largely related to this phenomenon. Even those individuals who stand out as leaders in the opposition camp (especially the representatives of the National Democratic Union) are those who departed from the government camp after being defeated in battles over ideas and ambitions. Thus the appraisal of any individual who heads any state structure must take into account how and by what route that person attained that position. Otherwise, we would observe that part of the public sees these individuals as monsters and forces of evil, while another portion perceives them as saviors and angels. Both of these perceptions are not only invalid but also very dangerous because it is such perceptions that eventually form the basis of the division of the people into separate camps.

Now, back to Vazgen Sargsyan. A public poll reveals that 21.21 percent of the respondents have a positive view of him, while 48.44 percent perceive him in a negative light and 11.48 percent have a neutral opinion of him. In addition, 10.51 percent of the respondents did not know who Vazgen Sargsyan is and 8.37 percent had not yet formed an opinion about him.

Let us begin with the observation that these are not very positive ratings for the commander of a victorious army. We believe that this is partly related to flaws in official propaganda about him and generally about the activities of military structures. Meanwhile, as a rule the opposition press has blamed on Sargsyan the responsibility for the not so few flaws observed in the military. Furthermore, because information about the military is extremely limited, since it is considered to be within the domain of state secrets, it is very difficult to form an objective opinion about the army structures and its leaders. This is particularly true when those leaders are not inclined to build a certain political image for themselves. An example in this context is the well-known incident associated with V. Sargsyan's name. After departing to Greece on an important government mission, Sargsyan declared, to prevent too much publicity about the reason for his visit, that he went there to visit his girlfriend. As a result of that statement, which was made partly in jest, there was a very negative public uproar about him, and his reputation was seriously hurt. The public perception summarized above is largely the result of that incident and similar others. Sargsyan's image was particularly hurt as a result of rumored brutalities, largely blamed on him, during the period of conscriptions. By fulfilling his legally justifiable government responsibilities Sargsyan became the "enemy" of the entire families of conscripts and was regularly lampooned in all parody competitions. The lessons of world history show that after the end of all wars, the commander of the winning army becomes the most popular and best liked public figure, if he does not become his country's next leader (there are numerous examples). Based on the results of this survey and taking into account the peculiarities of the Armenian mentality as well as the protracted war in Karabakh, Sargsyan is not only far removed from such popularity but, on the contrary, is perceived in a very negative light. Perhaps, another negative factor in this regard is his unreserved loyalty to the president of the republic—a circumstance for which many opposition parties cannot "forgive" him. Without that feature Sargsyan would be very acceptable to those parties.

Other elements that define Sargsyan's personality are his mistrust of the press; his passionate sympathy for the volunteers of the former guerrilla squads who helped him build the army and many of whom he knows personally; and his strong disdain for all political figures and personalities whose work he considers nonconstructive.

Sargsyan is also a very impulsive person and has the reputation of being a nationalist. The emphasis in official media on his personal friendship with Pavel Grachev, the Russian minister of defense, has also attracted attention.

*Internal Affairs Minister Profiled

954K0598A Yerevan LRAGIR in Armenian 20 Apr 95 p 3

[Report by Hovsep Khurshudyan and Emin Yerits'yan: "Vano Siradegyan: An Attempt at Profiling"]

[FBIS Translated Text] *It is hard to find anyone in Armenia's new generation of politicians whose public perception is as ambivalent and conflicting as that of [Minister of Internal Affairs] Vano Siradegyan. One cannot hear a single appraisal of him by the public or political groups in which he is not called names like "Aram Manukyan [interior minister of the 1918-1920 Armenian republic] of the third republic" or "modern Caligula." All these appraisals, spanning the entire spectrum of possible assessments, are not without grounds because such paradoxical contradictions have to stem from different criteria of evaluation.*

It impossible to appraise Vano Siradegyan unequivocally, more so than anyone else in Armenia's current elite, because his work must be viewed on many different levels: Vano Siradegyan the citizen, the man and his personality, the writer, the government official and politician and the minister of the interior. Although the last two overlap, there are sharply distinct differences between them. It is Siradegyan's misfortune that often it is some aspect of his personality that is appraised whenever he is evaluated in one of his roles. As a citizen, he was considered by his close friends during the Soviet period as willful, stubborn, uncompromising and principled. On the other hand, unlike many of his contemporaries, he not only refused to become a communist for his "writer's career" but also did not conceal his preferences and dispositions. According to his contemporaries, he was a source of severe headaches for the officials and the presidency of the [Soviet Armenian] Writers' Union, which refrained from taking strong measures against him only because of his undeniable literary talents. It is interesting how an individual with marginal thinking for that period—and apparently without any ties to politics—became politically active abruptly and turned up among those who led a spontaneous national movement. In that sense he was not an exception in the Karabakh Committee [the precursor of the Armenian Pannational Movement]. That general peculiarity of the members of the committee deserves a professional academic investigation.

Siradegyan, however, is not viewed so unequivocally as a man.

On the one hand he has been accused (by Ashot Manucharyan and others) of organizing political assassinations—which he has not attempted to deny. On the other hand, his own former and present friends insist that he continues to maintain close ties with and even helps friends who stood on other side of the political barricade. Instances of financial assistance are also mentioned in this regard. Indeed, sponsorship (especially in the areas of culture and sports) is a strong component of Siradegyan's character. However, even when he engages in philanthropy he does it his own way, so that a conceptually gracious act idea results only in a negative public resonance. We can mention the feast organized for cultural workers in Dilijan. That event was illustrative of a trait that is very peculiar to Siradegyan: The sharp dissonance between ideas and how they are put into practice. This is a phenomenon that makes it virtually impossible to perceive and accurately gauge Siradegyan's true place in Armenia's political life.

After all, who is Vano Siradegyan? A writer, citizen and man or a public, government and political figure and minister of the interior? Why is he known as Vano rather than Vanik Siradegyan which would be appropriate for a government official? Who is right? Those who call this extremely impulsive politician with the reputation of being one of the most nationalistic members of Armenia's current leadership "Aram Manukyan" or "Armenia's Salazar or Pinochet"? Or those who see Caligula or Nero in him? Without aspiring to find an exhaustive answer to this extremely complicated question, we try to offer a few strokes that we believe can help everyone to gauge his character more accurately. Siradegyan has always run after new things. After turning in his label of a delegate in exchange for a rapid rise through a series of senior positions, Siradegyan eventually settled in the position of minister of internal affairs. The legacy he inherited was not, to put it lightly, enviable: a "domain" of criminal elements, an uncontrollable quantity of illegal weapons in war conditions not only on the borders but also in the capital, shootings in open daylight and at night. In sum, a prechaotic situation, which was aggravated by the absence of a regular army and an unpromising war which fell on the shoulders of volunteer guerrilla squads. In these conditions, one can imagine the position of the new leader of the only reliable power structure (the KGB did not know what it represented and to whom it reported immediately after the dissolution of the USSR). For understandable reasons the new interior minister expanded the size of the police force at the expense of organizing internal security forces, which were assigned the task of defending the republic's borders. Thus, Siradegyan gave [Minister of State] Vazgen Sargsyan and other officials working on the organization of the army the time and the opportunity to build a national guard and the nucleus of the future Armenian army out of the fragments of guerrilla squads.

In pursuit of the supreme cause of defending the borders and organizing internal forces, Siradegyan did not shirk from taking steps which had no relation to the upholding of legitimacy. One example of that was the illegal taxation of economic structures. This was a public evil that grew like a snowball, assuming intolerable proportions, and eventually became an element that hindered economic development. The president's well-known speech last August was partly aimed at eliminating this situation. Siradegyan's personnel policy as minister was no less controversial. Having found the interior ministry organization nearly devastated and impotent when he took over, he replaced the entire senior staff of the ministry several times over a short period.

It must be acknowledged that the former officials [of the Ministry of Internal Affairs] were tainted by many years of bribery and corruption and that they were untrustworthy politically. Moreover, a pool of new cadres did not and could not exist. Even so one can find no logic to Siradegyan's personnel measures, as a result of which some individuals rose from complete anonymity to the rank of police major in one or two years. On the other hand, it must be acknowledged that as a result of those personnel changes Siradegyan was able to uproot an institution of thieves in Armenia, eliminate the chaos and bring calm and order to the capital's streets.

However, accounts with the crime world were not settled (it would be naive to expect such a settlement). The criminal world simply became more organized and adopted modern methods; it fused into economic and government structures (including the police). Gradually, the police organization began to assume, in addition to its legitimate responsibilities, the role of serving as President Levon Ter Petrosyan's political support base. As a result of this support, the president and the government he heads were able to overcome the pressure of the National Pact in July-August of 1992 as well as the crossfire of the opposition press (YERKIR and AZG). As a result of all these developments, the police organization gradually turned into a state within the state, with nearly all the attributes of such an entity.

A propaganda network was established (the newspaper and a special television program). Industrial enterprises were started. Growing like a snowball, the organization began to gain control of domains unrelated to it. In particular it gained virtually complete control of state-owned as well as non-state-owned economic structures subjecting a substantial portion of them to shadow taxation. In the process, it was itself transformed into a shadow organization.

Of course, it must be born in mind that such a transformation is characteristic of all unchecked and practically uncontrollable power structures like the Ministry of Internal Affairs at that time and that all this was not the result of Siradegyan's personal dispositions. Naturally, this process could not continue for long because, objectively, the growth in the power of the internal affairs structure should be expected to have a critical limit beyond which it would clash with the government, threaten the stability of the state through waves of popular discontent and push the public toward the opposition. As this process unfolded, the Armenian army grew to be the country's most potent and stable force and came to enjoy the public's sympathy as a result of its convincing victories on the battleground. The subsequent anti-Siradegyan revolt of the APM [Armenian Pannational Movement] seven and the shuffle the president announced in August 1994 was not so much a change in cadres but a systemic transformation with the implicit purpose of dealing with a police organization that had broken away from government control. Nor was it a plan to save the leader of that organization (as was claimed from the podiums of public rallies).

It must be born in mind that President Ter Petrosyan is extremely loyal to his supporters on issues related to staff appointments. Individuals in his circle openly and proudly point this difference between Yeltsin and their leader. Presumably, there were no serious differences between the president and Siradegyan in this regard [the changes announced in August 1994], and they did not have any problems because they understood each other well. The same consistency cannot be found in the public perception of Siradegyan. The results of our poll suggest that Siradegyan continues to be perceived as a negative hero by the public. Those who have a negative perception of him constitute 59.53 of those surveyed, compared to 19.65 percent who view him positively. The proportion of respondents who hold a neutral view of him (11.87 percent) is significantly low compared to other political figures. The percentage of respondents who do not know of him (3.31 percent) and those who have no opinion (6.42 percent) is similarly low, suggesting that the public knows him and has calibrated its opinion about him. This perception can perhaps be explained by the propagandistic flaws in the way he was presented to the public by official propaganda channels.

In any event, Siradegyan remains the political figure with the least chance of being elected to the future National Assembly. He has a deep and mysterious personality which makes his political future equally mysterious and unpredictable. Lastly it must be mentioned that whatever vocation he takes up it will be colored by his personality.

Azerbaijan

*April Cost of Living Factors Tabulated

954F2310A Baku ZERKALO in Russian 6 May 95 No 17, pp 1, 6

[Unattributed article: "The Drop in the Standard of Living Continued in April"]

[FBIS Translated Text] Experts from the consulting firm of EFA, who are monitoring the socioeconomic situation in the republic, have summed up the results for April 1995.

The indicators given below reflect the state of affairs in the consumer market and the situation with respect to the population's actual standard of living on 1 May 1995.

The change in the consumer price index in relation to the preceding month was 20.1 percent, which includes the following individual items: foodstuffs—26.8 percent; nonfood goods—10.3 percent; services—21.3 percent; a 19-item basket of basic food products—24.6 percent; and a 25-item basket of basic food products—31.2 percent.

The three leaders with respect to price increases were foodstuffs (onions by 233.3 percent, potatoes by 87.6 percent, and sugar by 40 percent), nonfood products (gasoline by 15 percent, cement by 8 percent, and detergents by 7.6 percent) and services (transport by 20 percent, electricity by 15 percent, and dry cleaning by 12.6 percent).

The Engel factor (the share of expenditures for food in the structure of consumer incomes) amounts to 87.3 percent.

The cost of 19 OPP [basic food products] was 164,565 manats, while that of 25 basic food products was 193,500 manats.

At the same time, the basic financial indicators were as follows: the monthly price index—120.1 percent; the monthly currency exchange rate index—98.2 percent; the index for the rate at which the price index outpaced the currency exchange rate index—22.3 percent; the parity of the manat's purchasing power compared to the dollar—2728; the parity of the manat's purchasing power compared to the ruble—1.5; the level of food prices in Azerbaijan as a percentage in relation to the similar level in the U.S.—43 percent; and the level of food prices in Azerbaijan as a percentage in relation to the similar level in Russia—113 percent.

The minimum subsistence level in Baku was: in all (for a single adult)—294,750 manats, including 213,450 manats for food, 69,300 manats for nonfood products and 12,000 manats for services.

As is evident, the subsistence minimum (294,750 manats) exceeds the republic's average wage by a factor of eight to 10. The explanation for this phenomenon is the fact that the total per capita income significantly exceeds the nominal (official) level of wages, i.e., the underground monetary turnover, uncontrolled by the state and untaxed, is increasing and is the basic source of the population's actual incomes. In this instance, the part of the population least able to work (pensioners, disabled persons, and so on), which has no chance of finding an additional source for earning a living, is in the most difficult position.

In April the overall level of prices for consumer goods rose in comparison with the preceding periods (by 20.1 percent). The main reason is the latest increase in prices for petroleum products and the increase in food prices. The increased cost of petroleum products has been caused by the attempt of the government and the Minfin [Ministry of Finance] to bring the domestic prices for energy resources into line with world prices, to restrict domestic consumption, and to increase exports. All this is explained by the comprehensive struggle against inflation (incidentally, this also explains the skimpy amounts of wages, pensions, benefits, and so on). This struggle is proceeding with a varying degree of success and, whereas the rate of inflation was successfully brought down to 3.4 percent in March, this level is rising significantly in April.

The reasons for this lie in both objective factors (since a seasonal increase in prices for vegetable and meat occurs in April) and the policy of the Ministry of Finance, which has decided to use purely monetarist measures to bring down the rate of inflation. Taking into account the fact that around 80 percent of the foodstuffs is being imported, it should be expected that the manat's restrained exchange rate would also restrain the prices for foodstuffs. However, this did not occur, since the parity of the dollar's purchasing power is falling steadily and, in order to obtain the same level of profit, the suppliers of foodstuffs have been forced to raise prices. An example of this is the increase in the sugar prices. In addition, it is obvious that the manat's actual purchasing power is much higher than it would seem from its exchange rate in relation to the dollar and this shows once again that the exchange rate is being shaped more likely by speculative factors than by market factors.

If this trend in the country's economy continues, it may lead to irreversible processes in the social sphere. The experience of countries with a developed economy shows that it is dangerous when the minimum wage amounts to less than 60 percent of the subsistence minimum. In our country, it amounts to 0.5 percent. This is why it is urgently necessary to correct this imbalance. The measures for the struggle against inflation should be aimed, first of all, not at curtailing consumption, but rather, at increasing the gross domestic product and the production of foodstuffs and reducing the balance-of-payments deficit by increasing the efficiency of tax collecting, which will increase state revenues. It must be remembered that inflation in Azerbaijan is of a systemic and institutional nature and it cannot be improved using purely monetarist measures.

*Government Monetary Actions Summarized

954F2310B Baku ZERKALO in Russian 6 May 95 No 17, p 4

[Article by ZERKALO correspondent G. Kozlova: "The National Bank Is Maintaining Tight Control Over the Dollar"]

[FBIS Translated Text] On the currency exchange, the NB [National Bank] is continuing to buy and sell freely convertible currency, being guided by the principle of the manat's stability. "The measures being carried out cannot be called a policy of artificial support of the manat's exchange rate," Samir Dadashev, National Bank of Azerbaijan chief expert, told a ZERKALO correspondent, "such accusations are, at the least, amateurish."

This is why it is no accident that the exchange rate for dollar sales remained stable all week in municipal exchange offices. Although it is worth noting the difference between the exchange rates for buying and selling on the outskirts of the city (4,470-4,530 manats to $1) and in the city center (Molokanka-TsUM [Central Department Store]) (4,515-4,520 manats to $1). At the same time, given the maintained condition of a not more than 5 percent difference between the selling exchange rate and the exchange rate in the exchange, banks are selling with a low, not more than 2 percent, markup. The action of competition is having a telling effect—in the city, the officially registered exchange offices alone number 300.

Incidentally, this week, the National Bank began work on the re-registration of exchange offices. New licenses will be issued only if teller staffs are available and there are signs indicating affiliation with a specific bank. It must be noted that even ordinary citizens, by demanding receipts for each conducted transaction and not just when sending money abroad, can be very helpful in uncovering illegal offices.

On Monday the dollar's exchange rate on the Baku Interbank Currency Exchange rose by 2 manats and remained all week at the level of 4,410 manats to $1. The volume of sales amounted to $3,834,000. This is $500,000 more than for all of November of last year, but $1,250,000 less than in the preceding week.

This week, 1 million Russian rubles [R] (at the exchange rate of R649 to 1,000 manats) were sold on the BMVB [Baku Interbank Currency Exchange]. As Farkhad Amirbekov, manager of the Baku Interbank Currency Exchange, reported to ZERKALO, today the exchange's turnover of the U.S. dollar to the Russian ruble comes to 500:3 in favor of the U.S. dollar. The low volumes are a consequence of the unregulated settlement between Azerbaijan and Russia. At the same time, it must be noted that financiers are not paying that much attention to the Russian ruble.

It was reported in the National Bank that a decision has been made on the specific allocation of rehabilitation credit received from the World Bank for the stabilization of the manat in the amount of 45 million SDR [Special Drawing Rights], which will amount to $65-70 million. A working group headed by Deputy Board Chairman Fuad Akhundov has been established in the National Bank to implement the plan for the allocation of the credit.

*Manat Stabilization Seen in April

954F2310C Baku VYSHKA in Russian 6 May 95 p 2

[Article by A. Gamedov: "Equilibrium at the 4,500-Manat Level"]

[FBIS Translated Text] The Minfin [Ministry of Finance] and the National Bank are undertaking well-developed measures in order to stabilize the manat's exchange rate in relation to the world's leading currency—the American dollar. If the unsteady state of prices due to their increase in the city markets and in the commercial stores is ignored, the beginning of a certain stabilization in the exchange rates for currencies should be noted. What testifies to this are the trades on the Baku Interbank Currency Exchange, where the dollar's commercial exchange rate is rising very slowly, as well as the buying and selling of freely convertible currency being carried out by the International Bank of Azerbaijan for all comers.

At the beginning of April, the dollar's exchange rate in the MBA [International Bank of Azerbaijan] came to 4,500 manats. Then it rose to the 4,600-manat level and, subsequently, the exchange rate fluctuated within the limits of 100-50 manats. Finally, it settled down firmly at the 4,500-manat level. Equilibrium had become established.

These are the results: For 22 working days, the ratio between the dollar and the manat changed just four times. The indicator is favorable and reassuring. But, in the International Bank of Azerbaijan's currency and asset transactions department, the exchange of currencies has been proceeding at an ever increasing pace. During April the earnings from this exchange amounted to 16.3 billion manats. Until now there had never been such a record result: the elimination by the city authorities of places for speculating in currency on the capital city's streets and squares also contributed to this. Now a large part of the currency transactions has been concentrated in the International Bank of Azerbaijan.

The manat is also strengthening its position in relation to the Russian ruble. The bank is paying 0.85 gep. for 1 ruble and selling it for 0.89 gep [sentence as published].

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